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SECURITY IMPLICATIONS OF
US ARMS TRANSFERS TO CHINA

by

Jer Donald Get

June 1986

Thesis Co-advisor: Claude A. Buss
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Security Implications of
US Arms Transfers to China

by

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Submitted in partial fulfillment of the
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ABSTRACT

This thesis is an evaluation of the soundness of the Reagan administration's policy for transferring arms to the People's Republic of China, with a sound policy defined as one in which the potential benefits outweigh the assessed risks. The evaluation begins by tracing the policy's historical development. This is followed by an investigation into the rationale behind both the United States' and China's participation in arms transfers with each other. The policy evaluation is completed with benefit, cost and risk analyses. The evaluation indicates that the Reagan administration's arms transfer policy for China is the result of an evolutionary rather than revolutionary development. It should be mutually beneficial to the US and the PRC, and is sound since its potential benefits outweigh its probable risks.

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I. INTRODUCTION

On 19 September 1985, the Washington Post reported that:

The Reagan administration is on the verge of the first government-to-government arms sale to China, including a (US)\$ 6 million package of explosives that could lead to a (US)\$ 98 million munitions factory....

Congressional sources described the sale as a landmark in what has been a slowly developing military relationship between the United States and China, and predicted that it would facilitate other, far more important military sales to Peking, long under discussion.[Ref. 1]

The proposed sale of the artillery munitions factory mentioned above has not been particularly controversial since the plan does not involve exceptionally sophisticated technology and the munitions it will produce are not perceived to be very threatening to most of China's neighbors. However, one should not underestimate the importance of this transaction. In fact, one could argue that this sale carries with it an explosive potential far in excess of the (US)\$ 6 million worth of munitions which are being sold. This initial sale of United States (US) arms to the People's Republic of China (PRC) marks a watershed in the continuing evolution of Sino-American relations. Future US-PRC arms deals are currently being negotiated, including the TOW anti-tank missile, an avionics upgrade kit for the Chinese F-8 airplane, and the Mark 46 torpedo.

American decisions on weapons sales to China will send out both intentional and unintentional signals regarding US

foreign policy to America's allies and adversaries in Asia and the rest of the world.[Ref. 2] Additionally, US arms in China may hinder rather than help the continuing development and normalization of Sino-American relations. One need only think back to the Nixon policy for US arms sales to Iran to recall the inherent dangers of using the transfer of arms as an instrument of foreign policy. Andrew J. Pierre, in his comprehensive work on arms transfers, noted that the failure to consider the full implications of the massive US arms transfers to the Shah of Iran may have contributed to his ultimate downfall.[Ref. 3] Pierre also points out several other examples which indicate a US tendency to use arms sales for immediate gain with little regard for longer-term implications of the transfers.[Ref. 1:p. 48]

In spite of these risks, however, the Reagan administration adopted a policy which currently allows, on a case-by-case basis, the transfer of specific weapons and weapons systems from the United States to China. Even though the ultimate wisdom of this policy may not be known for many years, it is my hypothesis that President Reagan made the right decision and his administration's policy for selling arms to China is a sound one.

This hypothesis will be submitted to a three part evaluation. First, as evolutionary policy development is often an indicator of sound judgement, a determination will

be made on the policy's continuity with regard to earlier administrations. This will be done in chapter two by tracing the policy's historical development. Although the incremental development of a policy cannot stand alone as evidence that the current one is sound, gross discontinuities across succeeding administrations normally signal some sort of policy problem which in itself is of value for a policy evaluation. The second part of the hypothesis evaluation will be conducted in chapters three and four and involves the determination of the rationale behind the Reagan arms transfer policy for China. The discussion of rationale will cover both the PRC as the arms recipient in chapter three and the US as the arms supplier in chapter four. Each participant's rationale will be determined by first evaluating the probable validity and/or priority of its stated reasons for participating in arms transfers with the other.

Public pronouncements regarding either country's arms transfer justification have not been accepted at face value for a number of reasons. In the first place, public statements regarding arms transfers are often misleading. In addition to being overstated for use as a negotiating gambit, the announced reasons for engaging in an arms transfer given by either the United States or China may be aimed at audiences other than the negotiating parties.

Furthermore, since internal political disagreements exist in both nations, neither can be expected to speak with a single consistent voice. A third and related problem with accepting stated rationale is that Chinese motives for buying, and American motives for selling arms are complex, inter-related and dynamic. Thus, the relative importance of any announcement depends upon nuances of timing and relative priority. Finally, each country's longterm national intent regarding the other is still being closely held. This is mostly because the United States and China only recently renewed normal bilateral relations after close to thirty years of mutual mistrust and hostility. For these reasons one must, therefore, look beyond the publicly stated motives to determine the true rationales for the Sino-American arms connection.

The evaluation of a stated rationale's probable validity and/or priority is based on three general assumptions. The first is that each country will act rationally in its own best interest. The second is that a country's true arms transfer motives are normally reflected by its observable arms transfer behavior. Lastly, certain actions in the dynamics of arms transfers can normally be predicted for a given motive. For example, if a country is motivated to procure arms by an external air threat, then, that country will normally seek some kind of air defense weapon. Thus,

the validity of an arms transfer rationale offered by a country would be either supported or refuted by its relevant behavior.

The first step in evaluating a stated rationale will be to identify the unconstrained arms transfer actions associated with that rationale. Next, factors which constrain the subject's arms transfer actions will be identified. In step three, the identified constraints will be applied to predicted unconstrained actions in order to deduce expected behavior. The actions associated with the expected behavior are then compared with the subject's observed actions. The relative consistency between expected and observed activity may be interpreted in two different ways. Strong behavioral consistency indicates a strong probability that an evaluated rationale is valid and has a high priority. In other words, a high degree of consistency means that the government in question is actually motivated by the postulated factors. Significant inconsistencies in arms transfer behavior reflect that the rationale in question has either a low probability of being valid since it is not supported by behavior, or if valid has a low priority. In either case inconsistent behavior is indicative of a low probability that the evaluated rationale is a key factor in the Sino-American arms connection.

Analysis of both supplier and recipient rationale is required in order to determine if the needs of both the United States and China can be met by the Reagan arms transfer policy. The policy's potential for meeting each side's expectations is a further indication of its soundness. Failure of the policy to meet either minimum US or PRC demands could be a source of tension, disagreement or possibly even the disruption of bilateral relations[Ref. 3:p. 82], and could on this basis be judged unsound. If the Reagan administration policy meets or can be reasonably expected to meet Chinese and American demands, then one has another indication of the soundness of that policy. While demand fulfillment may be further indication that a policy is sound, like incremental development, it cannot stand alone as evidence on which to base a final judgement. For this reason, the Reagan arms transfer policy will be subjected to a third evaluation.

The third and final policy test will be the subject of chapters five and six. In this test, the Reagan policy will be subjected to a benefit, cost and risk analysis. The expected benefits to the US are those derived in chapter four. The potential negative impact or "costs" of the policy on Sino-American relations will be developed in chapter five. The possible negative effects on the US-PRC-USSR triangular relationship will be the subject of

will be computed as a combination of the cost of an adverse reaction to US arms transfers to China with the probability of that reaction's occurrence. President Reagan's policy will be considered sound if policy benefits are even marginal and the accompanying risks are not prohibitively high.

In the seventh and final Chapter of this thesis, the conclusions of the preceeding analysis will be presented. Additionally, recommendations for improving American arms transfer policy for China will be offered as warranted.

Before proceeding with the investigation it is necessary to address several limitations of this work. The analysis of security implications has been limited to an investigation of the potential political, military and economic effects of the US-PRC arms connection. The social and intangible effects were considered somewhat tangential to American security interests regarding China and were omitted to save space and time. Furthermore, the desire to keep this work unclassified precluded a comprehensive treatment of the policy's implications for US intelligence. Thus, intelligence implications have been addressed only superficially. Additionally, evaluations of specific benefits, costs and probabilities have been subjectively assigned as being low, moderate, or high. Due to resource

constraints, as well as the recurring problems of dealing with classified information, no attempt was made to assign quantitative values to these critical elements. Resource constraints also precluded the analysis of the impact of the arms transfers on US relations with China's neighbors other than the Soviet Union. While other regional actors may be considered important, none of the PRC'S neighbors other than the Soviet Union is currently likely and capable of reacting to US arms transfers to China in such a way as to threaten America's vital interests. Finally, although they are not exactly synonymous the words motive, motivation, reason, and rationale have been used interchangeably in order to avoid the overuse of any one of these terms. In the context of this thesis they have all been used to describe the rational basis for US and PRC arms transfer behavior.

II. EVOLUTION OF THE REAGAN POLICY

In order to fully understand the implications of the Reagan decision to allow China to receive American arms, it is necessary to first briefly review the historical development of that decision. This review will show that the development of Sino-American arms ties under President Reagan was the continuation of a policy whose development spanned four successive administrations.

A. OPENING MOVES UNDER NIXON

Shortly after the Sino-Soviet split had been confirmed for American analysts by the March 1969 border clashes between Chinese and Soviet troops, President Nixon initiated actions toward developing a new relationship between the United States and the People's Republic of China. By late 1973, as America was disengaging itself from Vietnam, US policy makers began to seriously consider China as a possible counterweight to Soviet power in Asia. During the early years of Sino-American ties, President Nixon made several decisions regarding China which had significant military implications and therefore tended to underscore the security aspect of the relationship. These decisions involved the sale to China of some dual-use (items primarily of civilian use but with potential military applications)

high technology equipment such as a satellite ground station and some Boeing 707 aircraft.[Ref. 4]

B. FORD REFINES THE IDEA

The idea of actually selling American weapons to China, however, did not surface publicly until the Ford administration. One of the first analysts to even address the potential impact of the US transferring arms to China was Robert E. Klitgaard. In a 1974 Rand study on National Security and Export Controls, Klitgaard noted that,

treating China and Soviet Union in export control policy as if they posed identical military threats is a mistake. It is quite possible that exports to either country would have more effects on Sino-Soviet relations than on US-Soviet or US-Chinese interactions; that, to be purely hypothetical, exporting tactical air defense systems to China might enhance US security overall.[Ref. 5]

While it is apparent from this statement that Klitgaard recognized some potential security benefits of US arms transfers to China, these transfers were not really the focus of his study and the idea was, therefore, not well developed in it. One of the first detailed discussions of America using arms transfers to and a military relationship with China for US national security was presented by Michael Pillsbury in his essay, "U.S.-China Military Ties?" In this essay which appeared in the Fall 1975 issue of Foreign Policy, Pillsbury proposed that the United States could use a military relationship with China to influence Soviet behavior.

The subject of military ties to China continued to be discussed in America throughout the remainder of the Ford administration. During this same time, the subject of Sino-American military ties was also being vigorously debated in the PRC as the Chinese began to look to the West for modern weapons and equipment with which to improve their Army. Yet, for reasons which remain moot, but may have been related to its internal political upheaval, China did not attempt to purchase any American arms at that time, despite the apparent willingness of the US to supply the PRC with weapons.[Ref. 7] The Ford administration did, however, approve the British sale to China of Rolls Royce "Spey" aircraft engines which included US components, as well as the sale of a dual-use computer.[Ref. 4]

C. A BREAKTHROUGH UNDER CARTER

The real breakthrough in the development of a Sino-American military relationship did not come about until the Carter administration. The breakthrough was achieved when President Carter's Defense Secretary, Harold Brown, met with the top Chinese leadership in Beijing in January 1980.[Ref. 8] This meeting took place one month after the Soviet invasion of Afghanistan underlined the strategic importance of growing Sino-American ties. According to Richard C. Holbrooke, then Assistant Secretary of State for East Asian and Pacific Affairs, it was during the Brown

visit that "the first offer to sell military equipment (not arms) was presented to China as an American initiative." [Ref. 9] Secretary Brown also notified the Chinese leadership that the United States was prepared to liberalize its export controls on dual-use items as well. These offers were aimed at strengthening Sino-American security ties in light of what was perceived to be a common Soviet threat. In addition to the US decision to adjust its export regulations, the Chinese and American officials agreed to conduct a strategic dialogue aimed at identifying areas of mutual interest and to initiate a program of exchange visits by US and PRC defense personnel to determine areas where military cooperation might be mutually beneficial. [Ref. 4]

The Carter administration decision to allow China to receive defense equipment was codified in March 1980 when the Department of State issued Munitions Control Newsletter Number 21 (MC 21). In promulgating MC 21, the State Department opened

the People's Republic of China for the first time to Case-by-Case (CEC) consideration of items and technology on the US munitions list. Authorized for possible approval were a variety of combat support categories, including trucks, recovery vehicles, certain cargo/personnel carrying aircraft and helicopters, some training equipment, certain communications equipment and aerial cameras. [Ref. 8:p. 142]

Similarly, the decision to liberalize the export to China of dual-use equipment was codified in April 1980

when the Department of Commerce established a new and unique category, P, for China under US commodity control export regulations. The licensing policy for this category permitted exports at significantly higher technical levels than for most other Communist countries.[Ref. 8:p. 141]

Based on the agreements reached during Defense Secretary Brown's 1980 visit to China, one might have concluded that the United States and China were moving rapidly toward a tight security relationship. This was not the case, however, as the leadership in both Washington and Beijing paused to debate the long-range implications of military cooperation. Thus, by the end of the Carter presidency, the limits of US military cooperation with China were apparently defined by administration spokesmen who noted that, "the United States and China seek neither a military alliance nor any joint defense planning, and that the United States does not sell weapons to China." [Ref. 10] Yet, even those limits were to be rather flexible, for Carter spokesmen had also "repeatedly implied that this policy could be subject to future changes.[Ref. 10]

D. CONTINUING DEVELOPMENT UNDER REAGAN

As a result of the 1980 presidential election, it would be the Reagan rather than the Carter administration which effected the most significant change in US arms transfer

policy toward China. Yet, change continued to be evolutionary and came about only after lengthy debate. Early in his administration, President Reagan attempted to maintain the momentum of Sino-American defense cooperation by dispatching Secretary of State Haig to China.[Ref. 8:p. 143] Haig, who arrived in China in June 1981, attempted to focus his discussions on the development of closer strategic cooperation between the United States and China against the Soviet Union. As an apparent incentive for this strategic cooperation, Secretary Haig announced that the United States was now prepared to sell lethal military equipment to China.[Ref. 4:p. 6] This meant that China would be able "to purchase items on the munitions lists on the same case-by-case basis as other friendly, nonallied countries. (added military items and technologies not possible under MC 81)"[Ref. 8:p. 193]

The Chinese response to this American effort was negative. The Chinese informed the Reagan administration that they were not interested in American weapons at that time. Beijing's somewhat surprising disinterest in US arms transfers was rooted in its dissatisfaction with Washington's continued sales of weapons to Taiwan. Even though the US government no longer recognized the government of the Republic of China on Taiwan, American arms sales to the island had been continued under provisions of the Taiwan Relations Act of 1979. The PRC government considered those

sales, as well as the provisions of the Taiwan Relations Act covering them, to be interference in Chinese internal affairs. Beijing therefore refused to proceed with the development of Sino-American military relations until that aspect of the Taiwan issue was resolved.

In the meantime, the debate over the development of a defense relationship with the PRC continued in the United States. Administration policies to loosen restrictions on the export of advanced technology dual-use items and lethal military equipment to China did not receive consensus support in Washington. In fact, "in June 1981, Secretary of State Haig found it necessary to obtain White House support to direct the bureaucracy to loosen up the restrictions they were imposing on China." [Ref. 8:p. 142] Thus, due to both internal and external obstacles, the development of American military cooperation with, and arms sales to, China had stalled.

In order to regain the political initiative, the Reagan administration took a number of steps to get the Sino-American security relationship moving again. First, the Reagan position on relaxed export controls and arms transfers to China was explained to the Congress. On 16 July 1981, Assistant Secretary of State Holdridge testified before the House Foreign Affairs Committee that

The steady development of our relations with China over the last several years, as well as our evolving strategic cooperation, makes it inappropriate for us to maintain the

tight controls on munitions exports to China that we do on such exports to our adversaries. A flat prohibition on sales to China, a friendly country, chiefly benefits its opportunistic and aggressive neighbor. The decision is not a decision to sell any specific weapons systems or military technology; it will merely enable China to make requests to purchase from US commercial sources any items on the US munitions list.[Ref. 11]

Next, the administration tackled the problem of getting the bureaucracy moving by actually changing US export regulations. By the end of 1981, new regulations had been promulgated which removed China from the list of nations denied munitions exports. By issuing the new regulation "the policy announced the previous June by Secretary Haig was institutionalized." [Ref. 8:p. 143] Thus, the domestic arena was being prepared to handle any prospective arms transfers to China. Yet arms transfers and military cooperation could still not reasonably be expected until the issue of US arms sales to Taiwan was resolved to the PRC's satisfaction.

As it turned out, Reagan initiatives were not restricted to the domestic political front. By the late summer of 1982, the President had taken two critical steps which overcame the Taiwan obstacle. First, the administration decided early in the year not to allow the sale of the Northrop F5G fighter aircraft to Taiwan, which would have significantly upgraded its air fighting capability. This decision reflected a growing awareness in Washington of Beijing's sensitivity to US weapons in Taiwan. Then, in

August, the United States reached a compromise position with China regarding future American arms sales to Taiwan. This position which was announced on 17 August 1982, in a US-PRC joint communique declared that the United States

does not seek to carry out a long-term policy of arms sales to Taiwan; that its arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution.[Ref. 4:p. 7]

This compromise, popularly referred to as the "Shanghai II" communique, allowed the strategic dialogue between the United States and China to continue.

The next major breakthrough regarding arms transfers came from the US Department of Commerce. After a May 1983 trip to China, Commerce Secretary Malcom Baldrige announced that the US would take further steps toward liberalizing its position on technology transfer to the PRC.[Ref. 12]

Shortly after his return to the United States, it was announced that China would be moved from its special "P" category to the more general "V" group which included friendly nonaligned countries such as India and Yugoslavia.[Ref. 8:p. 142] This announcement, when finally translated into regulation, was critical to the first real transfer of militarily capable US equipment to China. According to Michael Hull, Director for International Business, United Technologies/Sikorsky Aircraft,

The "ice breaker" was a Commerce Department final rule in November 1983 implementing a more liberal export control policy toward the PRC. Concerning arms transfers, an extract from Section 385.4 reads: "Licenses may be approved even when the end-user or end-use is military. Commodities or data may be approved for export even though they may contribute to Chinese military developments" These two sentences were critical to our future sale for 24 Sikorsky S-70C helicopters (civilian versions of the US Army UH-60 Blackhawk utility helicopter) to the PRC.[Ref. 13]

The bilateral discussion of Sino-American military ties in general and arms transfers in particular continued through the remainder of President Reagan's first term. As his first term drew to a close, there was a pronounced increase in civilian and military contacts and exchanges, the most significant of which was President Reagan's own China visit which took place in April 1984. During that visit, the President acknowledged in a 27 April speech that the United States and China faced a historic opportunity for mutual cooperation.[Ref. 14]

In a subsequent address delivered on 30 April, President Reagan also talked about the existence of Chinese and American mutual interests and remarked that

Your government's policy of forging closer ties in the free exchange of knowledge... has opened the way to a new convergence of Chinese and American interests.... Already there are some political concerns that align us, and there are some important questions on which we both agree.[Ref. 15]

In closing, President Reagan underscored what is perhaps the most significant aspect of the future development of US-PRC ties. In addition to noting the historic opportunity

for mutual benefit from such ties, he addressed the critical element of choice in the development of Sino-American relations.[Ref. 15:p, 4]

On 12 June 1984, President Reagan demonstrated America's choice of direction regarding future military relations and arms sales to China. In a memorandum for the Secretary of State, for subsequent transmittal to the Congress, the President declared:

Pursuant to the authority vested in me by Section 3(a)(1) of the Arms Export Control Act, I hereby find that the furnishing of defense articles and defense services to the Government of China will strengthen the security of the United States and promote world peace.[Ref. 16]

This finding was required to make the PRC eligible for the US Foreign Military Sales (FMS) program. The principal effect of China's FMS eligibility was that arms transfers could be handled as commercial sales or as government-to-government transactions. After somewhat detailed and lengthy negotiations, China also indicated its choice of direction and notified the Reagan administration of its desire to secure some US artillery munitions and their related technologies through the FMS program.

In reviewing the sequence of events that has taken the Sino-American arms transfer relationship to its current stage, it should be apparent that the relationship has been evolutionary rather than revolutionary. Some critics of current administration policy have argued that the relationship has developed too rapidly. Yet even these

critics must acknowledge that while developments have been rapid, they have also been incremental and sequential. One need only recall the separate stages to see the evolutionary nature of American arms transfers to China. Briefly, authorization for military sales proceeded as follows:

1. Jun 1971 - 21 year-old general trade embargo lifted
2. Feb 1972 - Case-by-case consideration for the sale of an extremely limited number of dual-use items, i.e. Boeing 707s. (Note: the remaining authorizations are on a case-by-case basis.)
3. Apr 1976 - US approval of allied sale of military equipment to PRC.
4. Nov 1978 - US approval of allied sale of military weapons to PRC.
5. Mar 1980 - US offers sale of non-lethal military equipment under MC 81.
6. Apr 1980 - US expands sale of dual-use equipment with PRC under code "P".
7. Dec 1981 - US offers sale of lethal military equipment.
8. Jun 1983 - US expands sale of dual-use equipment with PRC under code "V".
9. Jun 1984 - FMS cash sales of lethal military equipment authorized.

By recognizing its progressive evolution, one might conclude that the current policy was slowly and carefully developed and is, therefore, essentially sound. Before this judgement is rendered, however, a number of other evaluations should be made. Even though an evolved policy is often better than a revolutionary one, there is no guarantee that it will be a sound one. The next

evaluation is a determination whether or not the current
US policy meets minimum US and Chinese demands.

III. WHY CHINA WANTS US ARMS

A basic explanation sometimes offered for the PRC's interest in developing military ties, including an arms transfer relationship, with the US is that "there are very real commonalities of national interest between the United States and China." [Ref. 12:p. 243] Yet, broad-based parallel, common, or even convergent interests often conceal a wide range of sub-motives and do little to explain China's real rationale for procuring US weapons. Understanding the demand factors behind the PRC's desire to secure American arms is an essential element in the development, implementation, and evaluation of the Reagan arms transfer policy for China.

A. MILITARY DEMAND FACTORS

1. Counter A Soviet Threat

One of the first explanations that comes to mind for the development of US arms transfers to the PRC is that both the United States and China have a mutual interest in countering the expansion of Soviet power and influence in Asia. For example, in March 1980 it was reported that "America's willingness to move ahead with sales of military equipment to China was seen by the Chinese as a big

indication of US commitment to work with China in a common front against the Soviet Union." [Ref. 10:p. 10]

The presence of over fifty Soviet divisions in Asia does provide China with both a classic and a credible motive for seeking US arms. In fact, the "Soviet threat" rationale has been cited by Reagan administration officials in recent Congressional hearings as the justification for the PRC's inclusion in the US Foreign Military Sales (FMS) program. During those hearings it was stated that,

The People's Republic of China is a major Asian power that has parallel interests with the United States as a result of its strong opposition to Soviet and Soviet proxy expansionism, especially in Southwest and Southeast Asia. Its ability to defend itself against a Soviet conventional military threat, however, is limited by its deficiencies in equipment. Therefore, the United States has gradually broadened the scope of defensive equipment and technology that it would consider for export license to China. [Ref. 17]

There are, however, opponents of arms sales to China who argue that the "Soviet threat" is being overplayed by the Chinese to gain concessions from the US and it is not really a significant factor in their desire to receive American arms. There is also general agreement among US specialists that China does not face an immediate crisis in its current military confrontation with the Soviet Union. [Ref. 10:p. 9] Yet, what US analysts perceive as being a threat to China may not be relevant to Chinese perceptions. However, some analysts argue that the Chinese themselves do not currently fear a Soviet attack. Richard

Nations reported in the Far Eastern Economic Review, that sometime around 1981, Peking had downgraded the threat of a direct attack from the north. This was because the Chinese saw that Soviet expansionism was bogged down by a number of internal and external factors and had simply run out of steam. Furthermore, "by 1985, high level Chinese security officials privately conceded to visiting Western dignitaries that they now viewed the fifty divisions of Soviet troops along their common border as essentially defensive." [Ref. 18]

It should be apparent that there is some doubt about the relevance of the "Soviet threat," toward China's acquisition of US weapons. In fact, there are significantly varying opinions among China watchers regarding the PRC's motives for its pursuit of American armament. One way to dispel these doubts and evaluate the validity of the "Soviet threat" as well as many other arms procurement rationale ascribed to the Chinese, is to compare the arms transfer actions consistent with a given motivation to the actual arms transfer actions displayed by the PRC. As was previously mentioned in the introduction, the relative consistency between expected and observed activity provides an excellent measure of either the validity or priority of a possible demand factor. The first demand factor to be evaluated will be countering the threat of a near-term Soviet attack.

a. Counter The Threat of A Near-Term Soviet Attack

If China desires US arms to counter the threat of a near-term Soviet attack, then it is predicted that an unconstrained China would:

1. Negotiate rapidly due to the immediacy of the threat.
2. Attempt to make large procurements of major end items in order to rapidly field sufficient weapons to deter or defeat the threat.
3. Attempt to procure weapons which would neutralize Soviet tactical advantages. (e.g. Anti-tank missiles to neutralize the Soviet advantage in armored forces.)
4. Make political concessions to the United States as required to speed procurement.

China may currently be constrained by:

1. the lack of sufficient hard currency to purchase enough equipment to decisively defeat a near-term Soviet attack.[Ref. 11]
2. the inability to absorb large quantities of sophisticated US military equipment.[Ref. 4:p. 10]
3. internal policy differences on spending priorities.[Ref. 4.:p. 11]
4. its unwillingness to become dependent on foreign suppliers.[Ref. 19]
5. its uncertainty about what the US expects in return for the transfer of arms.[Ref. 20]
6. mistrust of US intentions regarding Taiwan.[Ref. 21]

If China desires US arms to counter the threat of a near-term Soviet attack, then, given current constraints, China can be expected to:

1. emphasize the procurement of weapons over technology.
2. purchase as many weapons as it could afford and attempt to procure additional armament on credit.
3. procure weapons which neutralize Soviet tactical advantages
4. make significant political concessions to the US as required to speed procurement.

Regarding the procurement of US arms, China has:

1. tended to emphasize the procurement of arms technology rather than the purchase of arms themselves.[Ref. 12:p. 278]
2. ordered only a limited number of end items(i.e. 24 Sikorsky S-70C helicopters and 50 F-8 aircraft avionics upgrade kits)[Ref. 22] and failed to request FMS credit.
3. emphasized the procurement of weapons designed to neutralize Soviet tactical advantages.[Ref. 4:p. 22] e.g.:
 - a. Artillery munitions (announced Sept 85) which correct artillery disadvantages discovered during the 1979 conflict with Vietnam.
 - b. F-8 Avionics upgrade kits (announced in April 86) to counter Soviet air superiority.
 - c. TOW anti-tank missiles (negotiations ongoing) to counter Soviet armor superiority.
4. Made minor concessions on:
 - a. Taiwan issue by agreeing to continued limited US arms sales to Taiwan.[Ref. 4:p. 7]
 - b. US desires for military ties by:
 - (1) initially agreeing to an 18 May 1985 US Naval ship visit to the port of Shanghai. (subsequently postponed)[Ref. 23]
 - (2) conducting symbolic Naval passing exercise with the US Navy.[Ref. 18:p. 65]
 - (3) agreeing to government-to-government procurement of the artillery munitions

package under the US FMS program rather than insisting on purely commercial sales as in the case of the Sikorsky helicopters.[Ref. 24]

- (4) agreeing to continued limited military exchange visits between Chinese and US military personnel.[Ref. 25]

If China desires to secure US arms to counter the threat of a near-term Soviet attack, then the following actions require further explanation:

1. China's continued reluctance to make any major concessions such as:
 - a. agreeing to closer military ties such as an alliance or definite alignment with the US in return for higher technology weapons or US military assistance to deter the threat.
 - b. renouncing the use of force for the settlement of the Taiwan issue in return for either concessionary terms or higher technology weapons.
2. China's failure to attempt to procure US weapons with FMS credit.

The difference between China's expected and observed actions may be due to:

1. China's belief that the mere existence of a Sino-American arms connection is sufficient to deter a near-term Soviet attack. If this is true, then the PRC would have little reason to make concessions to the US.
2. China's belief that US FMS credit for arms purchases is currently unavailable due to American fiscal constraints.

Due to the significant inconsistency between its expected and observed arms transfer activity, we may conclude that countering a near-term Soviet attack is

probably not a strong PRC motive for securing US arms. The most striking inconsistency was China's failure to make any significant concessions to the US in order to speed the delivery of weapons. Moreover, it is doubtful that the PRC would depend on a symbolic tie to deter a real attack.

b. Counter The Threat Of Long-Term Soviet Expansion

If China desires US arms to counter the threat of long-term Soviet expansion, then an unconstrained China would:

1. make minimum concessions in arms transfer negotiations with the US as the threat is not immediate.
2. procure weapons with state-of-the-art technology in order to decrease the qualitative advantage of the USSR and counter a future Soviet military threat.
3. emphasize the procurement of weapons technology rather than end items as an indigenous weapons production capability provides greater security against a long-term threat.

China may currently be constrained by:

1. US limits on the types of weapons it is willing to transfer to China. The PRC is currently limited to receiving weapons which have been determined to be primarily defensive in nature.[Ref. 26]
2. US limits on the levels of technology it is willing to transfer to China.[Ref. 27]
3. its inability to absorb state-of-the-art technology.
4. the lack of sufficient hard currency to purchase state-of-the-art weapons and technology which are normally quite expensive.
5. its unwillingness to expand military ties with the United States because of Beijing's desire to maintain its nonalignment.

If China desires US arms to counter the long-term threat of Soviet expansion, then, given current constraints, China can be expected to:

1. make minimum concessions to the US as the threat from the Soviet Union is not immediate. The unwillingness to make concessions normally leads to lengthy negotiations.
2. procure the minimum number of weapons required by the US in order to get their associated production technologies.
3. emphasize the procurement of technology as opposed to end items.
4. procure the highest level of technology offered by the US in order to close the qualitative gap with the USSR.

Regarding the procurement of US arms, China has:

1. engaged in lengthy negotiations and made few concessions.[Ref. 28]
2. made relatively small purchases of US equipment. While it is true that the Chinese have been negotiating for the highest technological level of weapons currently authorized by the US, such as the Improved-TOW (I-TOW) anti-tank missile and the MK 46 torpedo,[Ref. 29] it has been rumored that the long delay in finalizing an agreement on the transfer of the TOW system is the Chinese desire for the latest model of the weapon.
3. emphasized the procurement of technology as opposed to end items.
4. attempted to include production technologies in its weapons purchases as evidenced by:
 - a. the artillery munitions plant deal which will provide the PRC the technology necessary to manufacture US designed artillery munitions.
 - b. negotiations for the TOW anti-tank missile which include Chinese requests for licensed production.

Based on the absence of variance between China's expected and observed arms transfer actions, one may conclude that there is a strong probability that the PRC is strongly motivated to secure US weapons by the threat of long-term Soviet expansion.

2. Improve Military Capability

A third explanation for China wanting American arms is the PRC's desire to improve its military capability. For a variety of reasons, this motivation may also be independent of any perceptions of the "Soviet threat." First, a strong and modern military force may be symbolically important to the pragmatic Chinese leadership as it attempts to initiate a number of political, economic and social reforms. Furthermore, the Deng regime may be procuring US weapons for the PLA as a reward for its political loyalty.[Ref. 25:p. 60] The acquisition of foreign armament may also be tied to the lessons the PLA learned from its 1979 conflict with Vietnam. In this regard, the People's Liberation Army may desire modern weapons "to be able to engage in more limited conflict in the war zone between nuclear and a mass People's War." [Ref. 3:p. 226]

In any event, it is clear from other PLA activity such as its personnel reorganization, changes in military region boundaries, and the retirement of much of its older leadership, that China recognizes its need to improve its

conventional military capability. It is also clear that the procurement of modern weapons and equipment will play an important role in upgrading China's military forces. However, the weight one should assign this particular motivation in the overall scheme of Sino-American arms transfers is not quite so clear. Therefore, in order to determine the relative importance of China's desire to use US arms to improve its military capability, the next evaluation will focus on that demand factor.

If China desires US arms to improve its conventional military capability, then it is predicted that an unconstrained China would:

1. attempt to procure weapons which would correct its noted deficiencies such as anti-tank missile systems, anti-aircraft missile systems, and command and control communications systems.
2. agree to US proposals to integrate arms transfers into a broader military relationship in order to gain exposure to American doctrine, tactics, and training.
3. give the PLA primary control of arms transfers from the US since the PLA should know best what it needs to improve its capability.
4. speed procurement in order to initiate training on the imported armament as soon as possible.

As previously mentioned, China may currently be constrained by:

1. the lack of funds and absorption capability.
2. US-imposed limitations.
3. internal policy differences on spending priorities or expanding ties with the US.

If China desires US arms to improve its conventional military capability, then, given current constraints, China can be expected to:

1. attempt to secure US weapons which would remedy noted PLA deficiencies.
2. compromise with the US on the development of military ties.
3. give the PLA a leading role in arms transfers.
4. attempt to quickly secure at least a small number of a variety of systems in order to establish a training base which could be expanded in the future.
5. attempt to procure production technologies together with finished products in order to simultaneously improve its military production capability with its military forces capability.

Regarding the procurement of US arms, China has:

1. negotiated to procure weapons which would correct some of its noted military deficiencies. The PRC has apparently gone after those items which cover areas considered by the PLA to be particularly vulnerable.[Ref. 30]
2. made some compromises on expanding its military ties with the US. This has been demonstrated by the continuing exchange of visiting military delegations. The most recent was the May 1986 reciprocal visit of PLA Chief of Staff Yang De Zhi in return for the 1985 visit of then US Chairman of the Joint Chiefs of Staff General Vessey. Additionally, the subject of a US Naval ship visit to a PRC port has been resurrected.[Ref. 22]
3. given the Foreign Ministry more influence than the PLA in the area of weapons and technology transfer.[Ref. 31.
4. actually procured little military equipment from the US to date. The only equipment actually delivered after five years of negotiations are the Sikorsky helicopters.

5. negotiated for weapons production technology as well as end items.

If China desires to secure US arms to improve its military capability, then the following actions require further explanation:

1. not giving the PLA the leading role in weapons and technology transfer. Giving the Foreign Ministry more influence than the PLA in the areas of weapons and technology transfer is a strong indication that the needs of the military are not a strong motive for securing US arms.
2. not actually procuring a significant number of weapons after five years of negotiations. The limited procurement of weapons is further indication that the needs of the military are not a strong motive for securing US arms.

The difference between China's expected and observed actions may,

1. in the case of the PLA not playing the leading role in arms transfers, be due to:
 - a. the PLA's lack of experience in negotiating with foreigners.
 - b. greater political reliability in the Ministry of Foreign Affairs than the PLA.
 - c. internal turmoil within the PLA due to its reorganization.
2. in the case of the limited actual weapons procurement, be due to:
 - a. bureaucratic delays in the PRC and the US.
 - b. unwillingness of the US to provide the weaponry the PLA desires.

There are two major inconsistencies between the expected and the observed actions. These involve the role of the PLA in arms transfers and the lack of actual weapons

procurement. The proposed explanation for the PLA having less than a leading role in arms transfers, if the motive is to improve China's military capability, is questionable at best. In the first place, the PLA has had experience negotiating with the US from the Korean Conflict. Furthermore, the PLA is normally left in charge of negotiations for its indigenously produced arms. Secondly, some of Deng Xiaoping's strongest supporters during his return to power were in the PLA. While the Deng regime may have mistrusted some of the Army leadership, it is unlikely that there were no politically reliable military personnel who could play a leading role in arms transfers. Finally, the recent PLA reorganization does not explain why it did not play a greater role in arms transfers prior to the personnel turnover.

The case for the lack of weapons procurement is somewhat stronger. There is little doubt that bureaucratic delays can add up to years. However, it is still reasonable to expect a better procurement performance on the part of the PRC if improving the military was truly a priority.

The inconsistency between the expected and observed actions indicates that improving the military is probably not a strong motive for China's procurement of US arms.

B. POLITICAL DEMAND FACTORS

1. Gain Political Influence

Another general demand factor which may motivate China's acquisition of American arms may be to gain political influence. Like the rationale of countering an external threat, the concept of gaining political influence must be further refined before it can be properly evaluated. The Deng regime may be using the Sino-American arms connection for internal leverage, external leverage or both. Additionally, if the arms transfers are being pursued by the PRC for external influence, the target may be the Soviet Union rather than the United States. Thus, to understand how the desire for political influence and leverage is factored into the recipient demand equation, it will be evaluated next.

a. Gain Political Leverage Over The Soviet Union

If China desires US arms to gain political leverage over the Soviet Union, then it is predicted that an unconstrained China would:

1. Attempt to derive maximum leverage from its arms connection from the US and use the connection to gain concessions from the USSR. As concessions were gained from the Soviets, the Chinese could then be expected to downplay Sino-American arms transfers.
2. Attempt to procure those American systems presenting the greatest threat to the USSR in order to exert the greatest possible leverage over the Soviet Union.
3. Integrate arms transfers with other Sino-American military ties in order to exert maximum leverage over the USSR.

4. Conduct lengthy negotiations in order to have the greatest amount of flexibility in gaining leverage over the Soviet Union. Lengthy negotiations could serve the Chinese in a number of ways:
 - a. First, the Chinese could keep the Soviets concerned about the breadth and depth of the Sino-American relationship by avoiding quick transactions.
 - b. Secondly, lengthy negotiations could allow the PRC to gain substantial bargaining leverage over the USSR without making significant commitments or concessions to the US.
 - c. Finally, lengthy negotiations could provide the PRC with the time and flexibility required to play the US and the USSR off against each other.

China may currently be constrained by:

1. the unwillingness of the Beijing leadership to accept broader military ties with the US which has already been discussed.
2. the fear of a Soviet overreaction. Although it appears that the PRC does not fear an imminent threat from the USSR, it is doubtful that it would take overly aggressive arms transfer actions and invite a Soviet attack.[Ref. 32]
3. a potentially adverse US reaction to being played off against the USSR.[Ref. 33]

If China desires US arms to gain political leverage over the USSR, then, given current constraints, China can be expected to:

1. downplay its American arms connection as it gains concessions from the USSR while keeping that connection open.
2. attempt to procure those weapons which would cause the Soviets concern but not alarm. This is because the arms transfers are meant to bring the Soviets to the bargaining table not the battlefield.

3. limit the integration of arms transfers with Sino-American military ties. Limitations would be placed on the overall military relationship between the United States and China in order to prevent a Soviet overreaction which the US could not be counted on to respond to.

Regarding the procurement of US arms, China has:

1. downplayed its American arms connection as evidenced by the low-key treatment it gave to American arms industry representatives during their November 1985 visit to Beijing.[Ref. 34]
2. not attempted to procure the kind of offensive weapons which would truly alarm the Soviets. It should be remembered, however, that the US has placed strict limits on the types of weapons it is willing to transfer to China.
3. limited the integration of arms transfers with Sino-American military ties. While the PRC has made compromises with the US on the expansion of military ties, these ties have not developed rapidly. Additionally, both the US and the PRC have been quick to point out that their military relationship is part of normalization and is not directed at any third parties.[Ref. 35]

Due to the strong consistency between the PRC's observed and expected actions, we may conclude that gaining political leverage over the Soviet Union is probably a Chinese motive for securing US arms.

b. Gain Political Leverage Over the United States

If China desires US arms to gain political leverage over the United States, then it is predicted that an unconstrained China would:

1. attempt to use arms transfer negotiations to gain concessions from the US regarding other issues. (e.g. US arms sales to Taiwan, the textile trade, the transfer of nuclear power generation equipment.)

2. negotiate on a wide variety of arms to increase its access to American military and business leaders.
3. accept less than state-of-the-art equipment in order to maximize political benefits even at the sacrifice of military capability.
4. integrate arms transfers with other Sino-American military ties in order to broaden its access and leverage base in the US.

China may currently be constrained by:

- 1 the unwillingness of the Beijing leadership to accept broader military ties.
- 2 concern for overreaction on the part of the Soviet Union.
3. concern for adverse American reactions.

If China desires US arms to gain political leverage over the United States, then, given current constraints, China can be expected to:

1. attempt to use arms transfers negotiations to gain concessions from the US over other issues.
2. negotiate over a wide variety of arms to increase its access and leverage base in the US.
3. accept less than state-of-the-art equipment in return for political benefits.

Regarding the procurement of US arms, China has:

1. linked its arms transfers with the US to only one other issue, that being US arms sales to Taiwan. Besides this, there has been no evidence of the PRC linking Sino-American arms transfers and other issues.
2. negotiated only on a selected number of items which has tended to limit PRC contact with US military and business leaders involved in arms transfers.

3. continued to negotiate for state-of-the-art equipment. China's acceptance of less than state-of-the-art equipment appears to result from US imposed limits and PRC economic constraints rather than a Chinese desire to be accomodating.

If China desires to secure US arms to gain political leverage over the United States, then the following action requires further explanation:

1. The relative absence of political linkage to arms transfers.
2. The limited scope of the arms transfer negotiations.
3. The PRC's continued negotiations for state-of-the-art equipment in which it has shown relatively little willingness to compromise its military and technological desires for political gains.

The difference between China's expected and observed actions may be explained as follows:

1. The linking of arms transfers to other issues has been avoided by the PRC for fear of causing the US to cancel negotiations.
2. Negotiating on only a limited number of items has been due to a lack of PRC negotiators.

There is little consistency between observed and expected actions in this case. Additionally, the proposed explanations for the existing variance are weak at best. The PRC has seldom hesitated to use military and economic negotiations for political gains if the desire for those political gains was strong enough. Furthermore, it is doubtful that the PRC lacks the skilled negotiators required to expand its arms transfers discussions with the US. Thus, the relatively strong inconsistency between its expected and

observed arms transfer actions in this case leads one to conclude that the probability is high that gaining political leverage over the United States is not a priority PRC motive for securing arms.

c. Gain Internal Political Support

If the Deng regime desires US arms to gain internal political support, then it is predicted that an unconstrained Deng regime would:

1. Involve a number of different political factions in arms transfers in order to give each faction a vested interest in US arms transfers.
2. use imported US arms and arms related technology to reward loyal military, industrial, and other supporters. Receiving control of imported arms and technology is considered a reward because it normally carries with it a good amount of prestige, travel and profit. Furthermore, being in control of the further distribution of modern weapons and technology allows one to reinforce his own power base.
3. secure as much US military equipment and weapons technology as possible to reward supporting factions.
4. integrate arms transfers with other Sino-American military ties to solidify the support of those PLA and other Chinese leaders who favor such ties.

The Deng regime may currently be constrained by:

1. the factions which oppose the Sino-American arms connection.
2. the unwillingness of uncommitted factions to be bought off with US arms and technology.
3. the lack of sufficient hard currency to purchase enough military equipment or technology to satisfy factional demands.
4. its own unwillingness to accept broader military ties with the United States.

If the Deng regime desires US arms to gain internal political support, then, given current constraints, the Deng regime can be expected to:

1. involve those political factions that wish to participate, in US arms transfers.
2. use the limited amount of imported US arms and related technology to first win uncommitted factions and then, if available, reward loyal factions.
3. prioritize arms procurement according to internal political demands.

Regarding the procurement of US arms, it remains unclear how arms transfers have been affected by internal PRC politics. While it has been asserted that "US arms sales were judged to help Deng and the pragmatists in their continuing arguments with more radical opponents in the Chinese leadership,"[Ref. 4:p. 5] the actual behavior of Chinese factions regarding US arms transfers has not been, nor is it likely to be, publicly reported. Because of the present inability to link internal PRC political demands regarding US arms transfers with China's arms transfer behavior, this demand factor cannot be evaluated.

C. ECONOMIC DEMAND FACTORS

A final demand factor which may motivate China's acquisition of US arms is primarily economic in nature. This is the transfer of the technology embodied in the design and production of American arms. Chinese insistence

on technology transfers as an integral part of trade is well documented in past as well as recent Sino-American exchanges. For example, Kim Woodard, President of China Energy Ventures, recently noted during a House Foreign Affairs Committee hearing on US-China relations that China has historically sought the indigenization of Western industrial technology and wants manufacturing technology and not endless plant and equipment imports.[Ref. 36] Furthermore, the PRC leadership has openly stated that it is more interested in acquiring the technology for China to produce its own weapons than in buying arms from a foreign supplier.[Ref. 37] This may be because "the United States could certainly help China to overcome the technological gap that has kept its newest weapons 20 years behind the state-of-the-art.[Ref. 21:p. 277] Yet, while it may be clear that the desire to get American technology is one of its arms transfer motives, it remains to be seen how much of a priority this particular motive receives.

If China desires US arms to gain access to American technology, then it is predicted that an unconstrained China would:

1. focus on the acquisition of military technology rather than the procurement of end items.
2. attempt to procure military technologies with civilian applications.

3. give either the Commission in Charge of Science, Technology and Industry for National Defense (CCSTIND) or the State Scientific and Technological Commission (SSTC) a leading role in arms transfers.
4. attempt to acquire state-of-the-art military technology.
5. attempt to separate arms and technology transfers from other military ties in order to keep negotiations focused on the hard technological rather than softer military issues such as exchanges and exercises.

China may currently be constrained by:

1. the lack of sufficient hard currency.
2. the inability of the Chinese military industrial system to absorb US state-of-the-art technology.
3. the US unwillingness to transfer its state-of-the-art technology.
4. the unwillingness of US businesses to sell only technology.[Ref. 29:p. 18]
5. the US desires for a more broadly based military relationship than just the transfer of military technology.

If China desires US arms to gain access to American technology, then, given current constraints, China can be expected to:

1. focus on the acquisition of military technology rather than end items.
2. attempt to secure military technology with civilian applications.
3. give either the CCSTIND or the SSTC a leading role in arms transfers.
4. attempt to acquire absorbable technology.
5. minimize other military ties with the US and separate them from arms transfers.

Regarding the procurement of US arms, China has:

1. focused on the acquisition of military technology rather than end items.
2. attempted to identify civilian uses for acquired military technology.[Ref. 25]
3. heavily involved the CCSTIND in arms transfers. However, the greatest influence is still retained by the Foreign Ministry.
4. attempted to acquire absorbable technology.
5. attempted to minimize other military ties with the US.

The only significant variance is the fact that the Foreign Ministry has more influence in arms transfers than either the Commission in Charge of Science, Technology and Industry for National Defense or the State Scientific and Technological Commission. The fact that the Foreign Ministry has more influence in arms transfers than either the CCSTIND or the SSTC may be due to a lack of either negotiating expertise in either commission. However, this is unlikely as personnel from the both organizations have been very active in PRC arms transfer negotiation.

The high level of consistency between the PRC's observed and expected actions indicates that there is a high probability that gaining access to American technology is a Chinese motive for securing US arms.

D. RESULTS OF THE RECIPIENT DEMAND ANALYSIS

The results of the analysis of the demand factors behind China's participation in arms transfers with the United States are included in Table 1. These results indicate that:

1. China has multiple motives for securing US arms.
2. the primary Chinese motive for securing US arms is to counter the threat of long-term Soviet expansion.
3. PRC motives of gaining access to American technology and improving its military capability are also quite strong.
4. China is not seeking US arms to either counter a near-term Soviet attack or to exert political leverage over the United States.
5. The impact of internal politics on China's arms transfers is currently indeterminable and requires further investigation.

The capability of the Reagan administration's arms transfer policy for China to meet PRC demands can now be determined since those demands should now be reasonably clear. Based on the preceding evaluation of PRC motives, there are no real Chinese demands which cannot be met by the Reagan policy. The administration's policy is flexible enough to provide the PRC with the arms and technology it desires not only to counter a long term Soviet threat but also to meet its internal needs of improving both its military and its civilian production capabilities. The types of weapons and technologies, such as TOW anti-tank missiles and F-8 avionics kits, which have been approved for

release to the PRC can significantly improve China's capability to defend itself against a future Soviet attack. Furthermore, the technology related to the weapons systems under negotiation should provide a boost to China's scientific and technological development. Finally, even though it is doubtful that the United States would release state-of-the-art technology to the PRC, the Reagan administration policy does not preclude such a release. This feature of the Reagan policy, therefore, provides the United States the flexibility to deal with future as well as current Chinese demands.

While the capability to meet recipient needs is a critical element in any arms transfer policy, this capability addresses only one-half of the transfer. In fact, since the United States is the party that will be providing the arms, the supplier rationale should be the principal concern of administration policymakers. In the chapter which follows, the rationale behind the willingness of the United States to transfer arms to China is examined.

TABLE 1
RESULTS OF THE ANALYSIS OF
RECIPIENT DEMAND FACTORS

DEMAND FACTOR	COMPARED BEHAVIORS	INCONSISTENT BEHAVIORS	VALIDITY/ PRIORITY
Counter short-term Soviet attack	3	2	Low
Counter long-term Soviet expansion	5	0	High
Improve military capability	4	2	Moderate
Gain political leverage over the USSR	3	0	High
Gain political leverage over the US	3	2	Low
Gain internal political support	Not Available	Unknown	Unknown
Gain access to American technology	6	1	High

IV. US RATIONALE FOR SUPPLYING ARMS TO CHINA

Our goal is to define a policy on arms sales and technology transfer which is in our strategic interests--a policy which should deter and check further Soviet expansionism and in addition, further the interests of peace and stability in the region as well as globally.[Ref. 38]

In these remarks, the Honorable Stephen J. Solars, Chairman of the House Subcommittee on Asian and Pacific Affairs, identified two fundamental rationales for US arms transfers to China. Congressman Solars' remarks also indicate that he believes a US arms transfer policy for China should be in America's strategic interest. One might assume that the Reagan administration's current policy for transferring arms to China meets the Solars criteria since it has survived the American political process including a Congressional review. Based on this assumption one might also conclude that the basic US rationale for arms transfers to the PRC is to support American strategic interests. Yet, these conclusions may not be valid, as the administration's arms transfer policy for China could have been primarily the result of bureaucratic and/or political behavior, rather than rational actions as this thesis assumes. In order to determine what is truly motivating American willingness to transfer arms to China, US arms transfer behavior toward the PRC will be examined.

To understand the link between American arms transfers to China and US national interests, it is first necessary to determine what the Reagan administration defines as US strategic interests regarding the PRC. After identifying American strategic interests in China, it is then possible to determine the role that arms transfers are designed to play in their support. Finally, by analyzing America's arms transfer behavior, one can determine not only the validity but also the strength of US national interests as a rationale for the Sino-American arms connection.

One can identify the Reagan administration's perceptions of America's strategic interests in China by carefully examining a number of recent State and Defense Department policy statements. In his Fiscal Year (FY) 1986 Annual Report To The Congress, Secretary of Defense Caspar Weinberger noted that "America's paramount national interests are peace, freedom and prosperity for ourselves and others around the world." [Ref. 39] He also stated that,

America's most basic national security objective is to preserve the United States as a free nation, at peace, with its fundamental institutions and values intact. From this objective flow supporting objectives for which a defense strategy and military programs must be formulated. [Ref. 40]

Among the supporting objectives he listed were:

Maintain close and productive relations with our allies and friends abroad and work closely with them to build and maintain regional stability in areas of shared mutual interests.

Inhibit the expansion of Soviet control and military presence through the world.

Protect US economic interests worldwide by maintaining steady access to energy supplies, other critical resources, and foreign markets.[Ref. 39:p. 25]

These broad interests were then geographically narrowed as later in his report Secretary Weinberger remarked that, America is a Pacific power with vital security and economic interests in East Asia.[Ref. 39:p. 31] Specific American policy goals for China were addressed during House Foreign Affairs Committee hearings on "United States-China Relations" held in June 1984. During those hearings, Assistant Secretary of State Paul Wolfowitz testified that a particular goal of the Reagan administration has been to put Sino-American relations on a more stable and comprehensive basis.[Ref. 40] The development of a Sino-American defense relationship was also addressed during the hearings. James Kelly, Deputy Assistant Secretary of Defense for East Asia and the Pacific testified that the interaction between defense ministries is a normal part of relations between friendly states. He added that the US government intends to establish such interaction with the PRC's Ministry of Defense as part of the normalization process.[Ref. 41] The more specific role of arms transfers in supporting these US interests were addressed by Michael Armacost, the Under Secretary of State for Political Affairs. Armacost noted that recent events have spurred the evolution of some

Sino-American cooperation in the field of defense and that the US was exploring ways of assisting China's upgrading of its anti-armor, air defense, and anti-submarine warfare capabilities.[Ref. 42]

Thus, according to the Reagan administration, arms transfers, as an aspect of defense cooperation, are a part of the ongoing normalization of relations between the United States and China. This normalization process is in turn supportive of US regional and global interests.

From the preceding discussion, the linkage between US arms sales to China and America's national interests should be apparent. If successfully planned and implemented, US arms transfers to the PRC should have a positive impact on American regional and global security objectives. However, even if it is rationally based, it is doubtful that every security goal or objective can be met by this one policy. This is because arms transfers are but one small part of the overall bilateral relationship between the United States and China. Arms transfer policy is also a result of both internal and external pressures which result in policy compromises. A thorough understanding of the US rationale behind its desire to transfer arms to China will allow those American officials tasked with the execution of the policy to prioritize their objectives and then make compromises as needed. An understanding of America's rationale as the arms supplier can be achieved by evaluating US motives using the

same methodology developed in chapter three. The evolution of America's rationale will be subdivided into three parts. Part one will be an evaluation of military motives. This will be followed by the investigation of political rationales. Finally, there will be a discussion of the economic motivation behind America's desire to sell arms to China.

A. SUPPLIER MILITARY RATIONALE

One general rationale for arms transfers to China was offered by Defense Secretary Weingerger in his remarks on the US Security Assistance Program. This program, through which most American arms transfers are conducted, is supposed to advance the goals of collective security and regional stability around the world. In the case of US arms transfers to China, Edward Ross, a China specialist in the Department of Defense, noted that the US desires to build an enduring military relationship with the PRC which will help maintain China as a force for peace and stability in the Asia-Pacific Region and the world.[Ref. 43]

US arms transfers to China can be expected to enhance the collective security of America's friends and allies in a number of ways. First, with the PRC no longer regarded as an adversary, the United States would not, for the near term, have the requirement to structure its forces to meet the "Chinese threat." This would free up planning and

exercise time for US military forces to prepare for other contingencies. A second benefit from a friendly military relationship with China would be that such a relationship would deter Soviet aggression against the North Atlantic Treaty Organization (NATO) because of Soviet desires to avoid a two-front conflict.[Ref. 44] An additional benefit of a US-China military relationship which could develop is the securing of China's active participation in a regional security system for Asia. China's cooperation in even an informal security arrangement with the United States could not only deter Soviet aggressiveness but also allay the fears that other Asian nations have historically had of Chinese expansionism.

Yet, while it is reasonable to conclude that American arms transfers to China will lead to an expanded military relationship, one cannot assume that such a relationship would automatically include regional military cooperation. In fact, it is rather unlikely that China would actively participate with the US in a regional system given its bad experience with the Soviets as an ally, its post World War Two animosity toward the United States, and its intense desire to maintain an independent foreign policy. Furthermore, even if arms transfers should ultimately lead to formal US-PRC military cooperation, there would be no guarantee of wartime cooperation between the United States and China. History is full of examples of broken treaties

and shifting alignments and it is only when a security arrangement continues to be in the best interest of the participants that it can be counted on.

However, even in the absence of strong US-PRC military ties, one can argue that technologically improved Chinese forces serve to complicate Soviet strategic planning and therefore deter Soviet aggressiveness.[Ref. 45] While the US cannot absolutely count on Chinese support in the event of a major East-West conflict, neither can the Soviet Union absolutely rely on the Chinese to remain uninvolved. Thus, even though the Soviet forces arrayed against the Chinese were built up independently of Warsaw Pact requirements[Ref. 45:pp. 267-268], the "Chinese threat" prevents their reassignment to the Western European front for commitment against NATO. Therefore, US arms transfers might help to keep the fifty plus Soviet divisions currently deployed along the Russo-Chinese border fixed in place by helping the Chinese armed forces maintain themselves as a credible threat to the Soviet Union. Similarly, Soviet plans for expansion in Asia must take into account potential Chinese counteractions. Notwithstanding latent fears by some of the PRC's neighbors, a strong and secure China can provide both real and psychological support for Asian countries that might otherwise succumb to the military pressure of the Soviet Union or one of its proxies.[Ref. 46] This is not to say that the Soviet Union will not try to take advantage of

residual fears of China on the part of some of her neighbors. However, Soviet actions in this regard will be discussed in chapter six. What is to be evaluated now is the relative strength of this particular American motive for supplying US arms to China.

1. Enhance Collective Security

If the US wants to transfer arms to China to enhance the collective security of its friends and allies, then it is predicted that an unconstrained US would:

1. offer arms of a type, quantity and quality which would not only provide for defense against a Soviet attack but also threaten the eastern flank of the USSR.
2. coordinate its PRC arms transfers with its friends and allies.
3. integrate the arms transfers into a broader Sino-American military relationship and attempt to gain the PRC's cooperation in a regional security arrangement.
4. emphasize that the arms transfers to the PRC are directed against the USSR.
5. transfer the arms as military aid.

The US may currently be constrained by:

1. PRC reluctance to expand Sino-American military ties.[Ref. 4:p. 11]
2. American domestic support for Taiwan which is opposed to any strengthening of China's military power.[Ref. 47]
3. concern about a negative reaction from the USSR which has already warned the US not to sell arms to China.[Ref. 32]
4. concern about negative reactions from China's other Asian neighbors who have already expressed misgivings toward US arms transfers to the PRC.[Ref. 2]

5. the requirement for the approval of its COCOM partners which may preclude the transfer of weapons which would really make China a viable threat to the Soviet Union.[Ref. 48]
6. domestic fiscal constraints which could preclude not only giving the arms as aid but also the extension of credit to the Chinese for the purchase of the arms.[Ref. 49]
7. doubts about China's long term political stability.[Ref. 50]
8. China's inability to absorb weapons which could make it a viable threat to the Soviet Union.[Ref. 10:p. 11]

If the US wants to transfer arms to China to enhance the collective security of its friends and allies, then given current constraints, the US can be expected to:

1. offer China weapons of type, quantity and quality which would cause the USSR concern but not alarm. The purpose of the arms would be to fix in place the fifty plus Soviet divisions currently deployed in Asia. This would preclude their commitment not only against America's NATO allies but also against its friends and allies elsewhere in the world. By raising the cost of a Soviet attack on China, the weapons could also enhance the peace and security of the region by enhancing China's conventional deterrence.
2. coordinate arms transfers to the PRC with its friends and allies to prevent any adverse reaction which could disrupt the stability of Asia.
3. attempt to integrate arms transfers into a broader Sino-American military relationship. A broader relationship would send a clear signal to potential enemies of the United States and/or China, as well as serve as a leavening influence on the Chinese military.
4. emphasize that the arms are defensive in nature and are being provided to the PRC to counter the threat of

Soviet expansionism. This would be done to prevent a radical reaction by the USSR or any of China's other neighbors.

5. help China finance its arms purchases by offering Foreign Military Sales (FMS) credit.

Regarding arms transfers to China, the US has:

1. offered the PRC weapons which are primarily defensive in nature which should raise its deterrence level without being unduly threatening to the USSR. Furthermore, while they are qualitatively less than state-of-the-art, they will increase current PLA capability. Also, the question of quantity has been covered by allowing the PRC to produce some of the items in question under license.[Ref. 4:p. 10]
2. coordinated arms transfers to the PRC with both its NATO and its Asian friends and allies. NATO coordination has been handled through COCOM[Ref. 51] while non-NATO coordination has been done on a bilateral basis.[Ref. 40]
3. attempted to integrate arms transfers into a broader Sino-American military relationship.[Ref. 43]
4. emphasized that the arms were being transferred to promote the overall peace and stability of the region[Ref 52] as well as to deter Soviet expansionism.[Ref. 43]
5. not offered FMS credits.[Ref. 53]

If the US wants to transfer arms to China to enhance the collective security of its friends and allies, then its failure to offer the PRC FMS credits requires further explanation. The difference between the expected and observed behavior of the US in the case of FMS credits may be due to a combination of domestic fiscal constraints and a judgement that the PRC has not offered enough in return for the credits.

Based on the strong positive correlation between expected and observed US arms transfer activity in this case, we may conclude that the desire to enhance collective security has a high probability of being a priority American motive for transferring arms to China.

2. Gain Strategic Access

Another reason cited by the Secretary of Defense for US security assistance and arms transfers is that they improve America's "power projection and forward defense capabilities through access to overseas facilities and retention of base rights abroad." [Ref. 39:p. 271] The payoff for the US of trading arms for access with China could be quite substantial. If the US had the option of using Chinese facilities in the event of a major confrontation with the USSR, it could place Soviet Central Asian and Soviet Far Eastern forces under considerably greater pressure than at present. [Ref. 10:pp. 7-8] One might wonder if America can realistically expect to get access to military facilities from a China which has traditionally and jealously guarded its sovereignty. Yet, recent revelations of the existence in China of a joint Sino-American intelligence collection facility indicates that facilities access is not out of the question for US policymakers. [Ref. 54] While gaining access to Chinese

military facilities appears to be both desirable and possible, it remains to be seen if it is in fact a policy motive.

If the US wants to transfer arms to China to gain access to PRC military facilities, then it is predicted that an unconstrained US would:

1. offer China arms for basing rights.
2. offer arms as aid.
3. transfer state-of-the-art weapons if they were desired by the PRC.
4. relax its internal restrictions against the transfer of offensive weapons. Selected offensive weapons might be transferred to the PRC if the benefits of gaining access to Chinese bases was assessed to outweigh the costs of providing offensive arms.
5. involve the US Navy and US Air Force in arms transfer negotiations with the PRC as they are the US military arms with the greatest need for access to Chinese bases.
6. integrate arms transfers into a broader military relationship.

US freedom of action may, however, be limited by the constraints previously cited in the discussion of enhancing collective security. If the US wants to transfer arms to China to gain access to PRC military facilities, then given current constraints, the US can be expected to:

1. ask China for basing, calling, and/or navigational rights in return for transferred arms.
2. help the PRC finance its arms purchases by offering FMS credits.
3. transfer selected state-of-the-art weapons if requested by the PRC.

4. transfer selected offensive weapons if required to secure desired access to PRC facilities.
5. heavily involve the US Navy and US Air Force in arms transfers to the PRC.
6. integrate arms transfers into a broader military relationship.

Regarding arms transfers to China, the US has:

1. requested an official Naval ship visit to the port of Shanghai which reflects a desire to secure calling and navigational rights. Although the previously scheduled visit was postponed, a future visit is being discussed.[Ref. 22]
2. not offered FMS credits.
3. not offered the PRC state-of-the-art weapons currently in the US inventory, with the exception of the Phalanx ship defense system.[Ref 4:p. 23]
4. not offered the PRC offensive weapons.[Ref 4:p. 23]
5. heavily involved the US Navy and the US Air Force in arms transfers to the PRC as reflected by their participation in negotiations over the anti-submarine warfare equipment and the F-8 avionics transfers.[Ref. 55]
6. attempted to integrate the arms transfers into a broader military relationship as noted by former Chairman of the Joint Chiefs of Staff, General Vessey's, who remarked that, "training and tactics were as important as technology in the military contacts between the United States and China." [Ref. 56]

If the US wants to transfer arms to China to gain access to PRC military facilities, then the following actions require further explanation:

1. the failure to offer FMS credit.
2. the extremely limited consideration given to the transfer of state-of-the-art weapons.

3. the failure to offer the transfer of offensive weapons.

The difference between the expected and observed of the US may:

1. in the case of not offering FMS credits, be due to fiscal constraints. However, a number of countries to include Thailand, the Philippines, and South Korea have been programmed to FMS credits during the next fiscal year which indicates that credit is still available.
2. in the case of not transferring state-of-the-art weapons, be due to a variety of concerns related to technology transfer. Those concerns might include:
 - a. either the intentional or unintentional retransfer of the technology to third parties.
 - b. the future potential of having those weapons turned against American forces.
 - c. creating a future arms sales competitor.
4. in the case of not considering the transfer of offensive weapons, be due to fears of eliciting a damaging reaction from the USSR, other PRC neighbors, or American supporters of Taiwan. However, offensive weaponry has been transferred to other nations in spite of similar concerns.

Due to the uneven consistency between expected and observed activity, there is only a moderate probability that gaining access to PRC military facilities is a priority motive for US arms transfers to China.

3. Promote Equipment Commonality or Stockpile Weapons

A third general military rationale for US security assistance mentioned in the Defense Secretary's Fy 86 report to the Congress was that, "They also enhance our ability to interact with other friendly forces through improved

commonality of equipment and training, thus adding a force multiplier to US capabilities." [Ref. 39:p. 271] Another supplier rationale which is related to this one is for the supplier to transfer arms in order to build up a stockpile for itself in the recipient's territory. These rationales are similar in that they both involve the transfer of weapons and equipment which are normally used by the armed forces of the supplier. Yet, it is highly improbable that either of these are motives for US arms transfers to China because, as previously discussed, few of the weapons under consideration for transfer are state-of-the-art systems in the US military inventory. Furthermore, neither the US nor the PRC is considering the transfer of the massive quantity of weapons which would be required to either use as a stockpile or effect US-PRC equipment commonality. Therefore, based on these critical discontinuities, one can safely conclude, without going through the complete evaluation process, that the probability is very low that either stockpiling weapons or developing equipment commonality is a US motive for transferring arms to China.

4. Demonstrate Military Capability

In addition to the motives articulated by Secretary Weinberger, there are a number of other reasons for some nations to supply arms to others. One of these is to demonstrate the supplier's military power. A notable example of this rationale was the US resupply of arms to

Israel during the Yom Kippur War in October 1973. While there is little doubt that this was not the sole or even the principal motive for those particular transfers, they did serve to demonstrate American military prowess. As the PRC is in need of massive quantities of military armament, it could prove to be an excellent opportunity for the United States to once again show off its strategic projection capabilities.

If the US wants to transfer arms to China to demonstrate its military power, then it is predicted that an unconstrained US would:

1. transfer large quantities of weapons to the PRC.
2. transfer the arms as aid or on credit if the PRC is unable to pay for the quantity of arms required for the demonstration.
3. conduct the transfer as a military logistics exercise or in response to a crisis situation.

In addition to the constraints discussed under enhancing collective security, US freedom of action may be limited by:

1. the absence of a logical reason for the demonstration of its ability to provide large quantities of weapons to a distantly located friendly nation since America:
 - a. does not have an alliance or a mutual security treaty with the PRC. Thus, the US would have little reason to engage in such a military exercise with China.
 - b. has not received a request from the PRC to perform such a demonstration due to tensions or a crisis with one of its neighbors. If both

parties desired to have a demonstration of this particular American military capability, it could easily be justified as a response to aggressive Soviet or Vietnamese behavior along China's borders.

2. domestic fiscal constraints, as such demonstrations are costly.

If the US wants to transfer arms to China to demonstrate its military power, then, given current constraints, the US can be expected to:

1. propose a major air-lift or sea-lift exercise for the delivery of the arms the PRC has ordered.
2. transfer arms to the PRC using military rather than civilian transport.
3. transfer a large enough quantity of arms to the PRC to stage a major exercise involving a significant amount of America's strategic lift.
4. transfer those arms the PRC cannot pay for on credit or as military aid.

Regarding arms transfers to China, the US has:

1. not used military transport for the delivery of arms to the PRC.
2. not planned the transfer of arms to the PRC as a military exercise.
3. not agreed to transfer to China the quantity of arms which would be required to demonstrate its strategic lift.
4. not offered the PRC FMS credit or the arms as aid.

The one observed action that may not be due to the listed constraints is the absence of any plans to use the actual delivery of US arms to China as a military demonstration. The difference between the expected and observed actions of the US may be because the Reagan

administration feels there is little need for the US to use arms transfers to China to demonstrate its strategic lift capability to the region at this time. The administration may feel that military exercises currently programmed for Asia are sufficient to demonstrate America's strategic power projection to that region.

Due to the lack of consistency between the expected and observed activity there is a low probability that the US desires to transfer arms to China to demonstrate American military power.

5. Control Regional Conflicts

Another suggested military rationale for contemporary arms transfers is to control regional conflicts. Arms transfers may be used to control regional conflicts in a number of different ways. In one instance, conventional arms may be transferred to prevent a limited conflict from escalating into nuclear war. In fact, it has been alleged that this was one of America's motives for the massive and speedy resupply of Israel during its 1973 war with Egypt and Syria. Arms transfers can also be used to control regional conflicts by preventing one side from achieving a decisive victory over another. In this case, the arms would be used to prevent an undesired end to a conflict.

From a review of the ongoing debate it is apparent that both aspects of this rationale have been used to

support US arms transfers to China. Regarding the control of nuclear warfare, Robert Sutter noted that "a greater Chinese sense of security is said to be necessary before the United States can expect the PRC to join in serious discussions on limiting nuclear arms development." [Ref. 10:p. 28] Thus, the US may wish to transfer conventional arms to China to prevent any potential Sino-Soviet conflict from escalating to nuclear weapons. From the analysis of Chinese motives for seeking US weapons, one should recall that the PRC probably has little fear of a Soviet attack any time in the near future. Additionally, there has been no evidence to date that the Reagan administration arms transfer policy for China has been driven by a desire to get the PRC involved in the nuclear arms control process. It is also doubtful that any US policymaker, without knowing exactly where China's present nuclear threshold is, would know what to offer the Chinese in the way of conventional weapons to raise that threshold. Therefore, without an expected behavior as a baseline, it is impossible to determine if US arms transfers to China are designed to prevent a regional conflict involving the PRC from going nuclear.

In the case of transferring arms to prevent the undesired end to a regional conflict, there may be connection with US arms transfers to China. This would be to use China as a conduit for indirectly transferring

American arms to people resisting Soviet or Soviet proxy aggression, such as Afghani or Kampuchean freedom fighters. While there have, as yet, been no indications that this is a US motive, there is substantial evidence that China does have the capability to get arms to the Afghani and Kampuchean resistance. Furthermore, America has been known in the past to transfer its arms through third parties.

If the US wants to transfer arms to China to prevent the defeat of the Afghani or Kampuchean resistance, then it is predicted that an unconstrained US would:

1. transfer weapons and equipment rather than technology since the Afghani and Kampuchean resistance fighters need end items rather than production capability.
2. transfer weapons and equipment quickly and in very large quantities. This is due to the immediacy of the threat.
3. transfer weapons and equipment supportive of the Afghani and Kampuchean insurgencies rather than weapons which would be used in a more conventional conflict. This would place an emphasis on the transfer of simple to operate, lightweight, and portable weapons systems.
4. transfer weapons and equipment as military aid. This is because the ultimate recipients would not be expected to be able to pay for them.
5. authorize the Chinese to retransfer their American supplied weapons and equipment to Afghani and Kampuchean resistance fighters.

However, in addition to the constraints listed in the discussion of enhancing mutual security, US freedom of action may be limited by:

1. China's unwillingness to serve as a conduit for US arms transfers to Afghanistan or Kampuchea.
2. domestic resistance to the covert nature of this arms transfer as evidenced by some Congressional reluctance toward approving funds for such covert operations.

If the US wants to transfer arms to China to prevent the defeat of the Afghani or Kampuchean resistance, then, given current constraints, the US can be expected to:

1. transfer weapons and equipment instead of technology.
2. avoid lengthy negotiations and transfer the weapons and equipment as quickly as possible.
3. transfer mostly easily operated man portable weapons systems which would be useful to insurgents.
4. transfer the weapons and equipment as aid.
5. authorize the Chinese to retransfer the weapons and equipment to Afghani and Kampuchean resistance fighters.

Regarding arms transfers to China, the US has:

1. agreed to transfer both weapons systems and technology.
2. been involved in lengthy negotiations over the arms transfers.
3. to date, formally notified the Congress of only three transfers (Sikorsky transport helicopters, artillery munitions fuzes and plant, and F-8 avionics upgrade) which involve equipment of little immediate use to insurgents.
4. not transferred the weapons as aid.
5. not authorized the Chinese retransfer of US systems.

None of the actions taken by the US are consistent with the expected behavior. The difference between the expected and observed activity may be due to either the PRC's unwillingness to act as a weapons conduit or the fact that this is not a US rationale for the transfers. If preventing the defeat of the Afghani or Kampuchean resistance were a strong US motive for transferring weapons to the PRC, then the US could be expected to overcome all of the listed constraints except Chinese unwillingness to cooperate in the activity. Furthermore, the variance in a number of US actions which are not constrained by China's attitudes indicates that the tested rationale is not a valid one.

Because the US has taken no actions consistent with a desire to prevent the defeat of the Afghani or Kampuchean resistance, the probability that this is a priority US rationale is extremely low.

B. POLITICAL RATIONALE FOR SUPPLYING ARMS

In the absence of a clearly defined threat, the rationale for one country supplying weapons to another is more often political than military. Pierre addressed this point when he noted that since arms are often an important symbol of support and friendly relations, they create influence. He further pointed out that "Arguments for the sale of weapons to China have been based not so much on the

need to enhance its military capabilities against the Soviet Union...as to demonstrate American friendship and further normalize relations.[Ref. 3:p. 13]

Although using arms transfers for political influence often carries a negative connotation to the recipient, this motivation is not necessarily a bad one. The exercise of positive influence between friends may be mutually rewarding and satisfying. Furthermore, whether or not the influence is intended, it may be exercised. As the executive director of the Washington State Chinese Relations Council observed, "Every Sino-American business transaction is a cultural transaction as well." [Ref. 57] Additionally, it may be indirect influence rather than direct political leverage that the United States gains from its arms transfers to China. James Stoll, a former US assistant Naval Attache to the PRC, noted that "the greatest area of potential influence may be in person-to-person contacts between Americans and Chinese as the Chinese observe and adapt US methods of production, management, and leadership." [Ref. 31] It should, therefore, be apparent that gaining influence could be a very important motive for US arms transfers to China.

1. Symbolism And Friendship

The US does not have a mutual defense treaty with the PRC and it has been repeatedly pointed out by both Chinese and American officials that neither the United

States nor China is seeking a military alliance. Meeting treaty commitments can, therefore, be discounted as a US political motive for transferring arms to China. Yet, even though the US and China are not allies, it has been pointed out that,

Today...Americans regard China as a friendly country with which we enjoy a normal diplomatic relationship, a productive dialogue on a number of political issues, an expanding trade and cooperative arrangements even in the field of defense.[Ref. 42]

In fact, defense cooperation, particularly the sale of weapons, has often been used by the US as a means of demonstrating its support for a country. [Ref. 4:p. 5] Proponents of arms sales assert that "US military transfers would serve to consolidate ties with what is viewed as the emerging great power in Asia--China." [Ref. 10:p. 27] Furthermore, Pierre notes that in the area of arms sales symbolism has been important to the Chinese and they would prefer US arms because of what this would say about an American commitment.[Ref. 4:p. 29] Since arms transfers can be so symbolically significant, it is important to know if the Reagan administration is purposefully using them to demonstrate US friendship toward the PRC.

If the US wants to transfer arms to China to demonstrate its friendship toward the PRC, then it is predicted that an unconstrained US would:

1. emphasize that the arms transfers are an act of friendship and not being directed at any third party.

2. maintain arms transfer negotiations in spite of perceived unfriendly PRC acts such as foreign policy disagreements.
3. treat the PRC as a friendly non-allied country in arms and technology transfers.
4. provide financial terms equivalent to those given other friendly non-allied countries.
5. integrate arms transfers into a broader overall relationship.

US freedom of action may be limited by the constraints discussed under enhancing collective security. If the US wants to transfer arms to China to demonstrate its friendship toward the PRC, then given current constraints, the US can be expected to:

1. emphasize the arms transfers as an act of friendship which are not directed against third parties.
2. maintain arms transfer negotiations in spite of perceived minor unfriendly PRC actions.
3. treat the PRC as a friendly non-allied country in arms and technology transfers.
4. provide financial terms equivalent to those given most other friendly non-allied nations.
5. attempt to integrate arms transfers into a broader overall relationship.

Regarding arms transfers to China, the US has:

1. emphasized the arms transfers as being a part of the normal military relations between two friendly nations. This point was made early in President Reagan's first term by Assistant Secretary of State Holdridge when he stated that "our starting point was the premise that China is not our adversary but a friendly developing country with which, without being allied with us, we share important strategic interests." [Ref. 58]

2. maintained arms transfer negotiations on items such as the F-8 avionics package in spite of perceived minor unfriendly acts by the PRC such as its criticism of the US confrontation with Libya in the Gulf of Sidra.
3. recently moved the PRC into the category of friendly non-aligned countries on the US commodity control list and made China eligible for arms transfers through the Foreign Military Sales program.
4. not provided FMS credits. This is in contrast to US treatment of other friendly non-allied Asian countries such as Thailand and Pakistan.
5. been attempting to integrate arms transfers into a broader overall relationship.

The one observed action that does not appear to be due to the listed constraints is the failure to offer the PRC FMS credits. The failure of the US to offer the PRC FMS credits may be due to the fact that the China is not considered a "front line" state currently confronted with Soviet or Soviet sponsored aggression as is the case for Thailand and Pakistan. China would not, therefore, be a priority recipient of FMS credits. Thus, the offer of FMS credits may have been withheld because of a combination of the lack of priority and previously mentioned constraints such as the "Taiwan lobby" or resource limitations.

Based on the strong correlation between the expected and observed US actions, we may conclude that it is highly probable that the desire to demonstrate its friendship toward the PRC is a US motive for transferring arms to China.

2. Gain Political Influence

According to Pierre, "the most important political benefit of arms transfers may be leverage over other countries' sensitive foreign policy decisions." [Ref. 4:p. 15] Regarding the exercise of potential influence and leverage over the PRC, it has been argued that involving China in extensive economic and military relations with the West could provide a leavening influence which would not only deter a Sino-Soviet rapprochement but also inhibit future Chinese leaders from taking actions which might be considered threatening. Furthermore, it has been asserted that supporting China's modernization could reduce the PRC's interest in and potential for external adventurism. [Ref. 59] However, as Professor Robert Scalapino has noted "these arguments while persuasive are not conclusive." [Ref. 59]

The debate over using arms transfers to gain a measure of influence over China has not been restricted to purely academic circles. One Defense Intelligence Agency (DIA) analyst stated that with its arms transfers "the US feels it can exert some influence over China in areas of common interest." [Ref. 60] Another interviewed DoD official holds that "historically, the use of arms transfers for political leverage has never been a success." [Ref. 61]

The problem of using arms transfers for influence or leverage is further complicated because there are numerous levels and types of both influence and leverage. The next

evaluation will deal with only that influence most often offered as a justification for transferring arms to China.

3. Keep The PRC From Tilting Back Toward the Soviet Union

One political rationale offered in support of transferring US arms to China is that American military supplies would increase China's sense of security. This would tend to reduce the USSR's ability to intimidate the PRC and pressure Beijing into a more pro-Soviet stance.[Ref. 10:p. 23] It has also been asserted that US sales might prevent the return of the Soviet Union as China's primary weapons supplier. It can be argued that allowing the Chinese to receive American weapons and technology decreases their reliance on Soviet and Soviet type equipment.[Ref. 62] This, in turn, would tend to strengthen Sino-American ties while simultaneously weakening Sino-Soviet ties. Conversely, the denial of US weapons transfer would force the Chinese to turn back to the Soviet Union for their security needs.

If the US wants to transfer arms to China to keep the PRC from tilting back toward the Soviet Union, then it is predicted that an unconstrained Soviet Union will

1. emphasize the purpose of the arms transfers as being to counter a common Sino-American threat from Soviet expansionism.
2. halt all arms transfers to the PRC at any sign of a Chinese tilt back toward the Soviet Union.

3. offer enough of a variety and quantity of US weapons to allow the PRC to replace their Soviet designed armament.
4. integrate arms transfers into a broader anti-Soviet military relationship in order to get the Chinese to abandon any Soviet doctrine, tactics and training they may use.
5. offer to transfer arms production technology as well as end items to provide the Chinese the capability to manufacture US designed arms to replace their Soviet style weapons.
6. offer US arms as aid or offer FMS credits.

US freedom of action may be limited by the constraints listed in the discussion of collective security. If the US wants to transfer arms to China to keep the PRC from tilting back toward the Soviet Union, then given current constraints, the US can be expected to:

1. emphasize the purpose of the arms transfers as being to counter the threat of Soviet expansion in Asia.
2. link US-PRC arms transfer activity to the state of Sino-Soviet relations.
3. offer the PRC the variety and quantity of arms necessary for the Chinese to replace their Soviet designed armament.
4. attempt to integrate arms transfers into a broader anti-Soviet military relationship.
5. offer to transfer production technology as well as end items.
6. offer to assist the financing of PRC arms purchases with FMS credit.

Regarding arms transfers to China, the US has:

1. in not only arms transfers but also in discussions of general Sino-American relations, emphasized the Soviet threat. [Ref. 20:p. 19]

2. recently announced "that the PRC's setting up of a joint scientific and technological commission with the Soviet Union... could complicate US technology transfers to China.[Ref. 29:p. 17]
3. agreed to cooperate with the PRC in four broad military mission areas as opposed to merely identifying a limited number of weapons for the PRC to buy.[Ref. 43] This could eventually get the Chinese to consider replacing a substantial amount of their Soviet designed, anti-tank, artillery, air defense and surface ship anti-submarine warfare equipment.
4. attempted to integrate arms transfers into a broader military relationship.
5. offered weapons production technology as well as end items as evidenced by the artillery munitions deal.
6. not offered FMS credit.

If the US wants to transfer arms to China to keep the PRC from tilting back toward the Soviet Union, then the following actions require further explanation:

1. the US failure to convince the PRC to replace its Soviet designed equipment with US weapons
2. the failure to offer FMS credit.

The difference between the expected and observed actions of the US may in the first case, be due to the fact that the PRC has too much invested in its armament industry which is based on Soviet designed weapons. A changeover to US weapons, even with transferred US manufacturing technology could be cost prohibitive. In the case of the failure to offer FMS credit, be due to American domestic fiscal and political constraints or the PRC's failure to meet other US criteria to receive the credit.

The relatively strong consistency between the expected and observed US arms transfer actions in this case indicate that there is a high probability that the US desires to transfer arms to the PRC to keep China from tilting back ~~toward~~ the USSR.

4. Influence Internal Chinese Politics

Another political reason for arms transfers would be for the US to use them to influence internal Chinese politics. Robert Sutter reported that

The transfers would show American "good faith," build support for and establish American influence with the relatively pragmatic leaders currently governing China and promote important channels of communication with segments of the Chinese military leadership who might otherwise remain skeptical of China's recent tilt toward the United States.[Ref. 10:pp. 31-32]

If the US wants to transfer arms to China to gain access to PRC elites and provide support to pragmatic leaders, then it is predicted that an unconstrained US would:

1. offer a wide variety of weapons in order to gain broad access to PRC elites.
2. set up a Security Assistance Office (SAO) such as a Military Assistance Advisory Group (MAAG) in China to handle arms transfers which would increase the US presence there.
3. use arms transfers as positive reinforcement for pragmatists and as negative reinforcement for radicals.
4. offer the arms as aid.

In addition to the constraints discussed under enhancing collective security, US freedom of action may be limited by:

1. the inability to identify the political orientations and arms transfers objectives of various PRC leaders.
2. strong PRC resentment against any outside power meddling in its internal political affairs.[Ref. 21]

If the US wants to transfer arms to China to gain access to PRC elites and support pragmatic leaders, then given current constraints, the US can be expected to:

1. offer a wide variety of US weapons.
2. attempt to establish a SAO/MAAC to handle arms transfers to China.
3. attempt to meet the arms transfer needs of the identified pragmatic leaders.
4. offer to aid the PRC's purchase of arms with FMS credits.

Regarding arms transfers to China, the US has:

1. relative to the US arms inventory, offered only a few types of weapons to the Chinese even though it had agreed to cooperate with the PRC in four broad mission areas.
2. to date, not set up a SAO/MAAC in China.
3. has shown no indication of the use of arms transfers in support of any particular Chinese leaders or factions.
4. not offered FMS credits.

If the US wants to transfer arms to China to gain access to PRC elites and support pragmatic leaders, then the following behavior requires further explanation:

1. the relatively few types of US weapons that have been offered.
2. the absence of a SAO/MAAG in China.
3. the failure to offer FMS credits.

The difference between the expected and observed of the US may be due to a PRC reluctance to negotiate over more weapons or to consider the establishment of a US MAAG in China. Explanations for the failure of the US to offer FMS credits has already been discussed. Due to the relative inconsistency between observed and expected behavior, there is a low probability that the US desires to transfer arms to China to gain access to PRC elites and support pragmatic leaders.

5. Exert Leverage Over China's Neighbors

A final political motive for supplying arms to China could be to use the Sino-American arms connection to exert leverage over China's Asian neighbors rather than the PRC itself. For example, arms transfers could support a political-military connection with Beijing which would provide Washington additional leverage in its dealings with Moscow. Proponents of this rationale hold that arms sales to China can be used as a bargaining chip to gain concessions from the Soviet Union.

Additionally, there are some who propose that arms transfers to the PRC could be used to pressure the Japanese into taking a more active regional defense role against the

USSR. It is their belief that the Japanese would prefer to accept a greater regional defense burden than see China increase its military capabilities with US weapons. While these motives are plausible, they are also extremely difficult to evaluate. This is because the expected behavior in this case would be for the US to link its arms transfers to China with the actions of the Soviet Union, Japan or another of China's neighbors. To date, there has been no evidence of such a linkage and even if it existed, it is very doubtful that it would be in the public domain. Thus, due to unavailability of observable activity, no judgement can be rendered regarding this rationale.

C. ECONOMIC RATIONALE FOR SUPPLYING ARMS

It is sometimes assumed that the profit that American companies would stand to make from arms sales to the Chinese was not a major consideration in the US policy decision to transfer arms to the PRC. However, there is substantial evidence that significant consideration was given to the economic aspects of the developing Sino-American relationship, to include the economic impact of arms sales. During Congressional hearings on "The New Era in East Asia," Lionel Olnier, Department of Commerce Under Secretary for International Trade, acknowledged the agreement that exists between the Reagan administration and the American business community regarding active US participation in China's

modernization.[Ref. 63] Furthermore, Henry Kenny noted that Sino-American mutual economic interests would eventually link China to the United States through long-term trade, investment, technology transfer and developmental assistance.[Ref. 56]

Moreover, by 1984 China had become America's twentieth largest trading partner and the United States moved up to third among China's trading partners.[Ref. 64] Overall US-PRC trade for the year 1985 was around six billion dollars.[Ref. 65] Thus, while arms transfers policy decisions are not normally based on profit, US arms sales to China, as trade transactions, do support economic as well as political-military objectives.

In the eyes of American businessmen, the Reagan Administration decision to increase the types of arms and related technologies which are releasable to China carries with it substantial trade opportunity. Michael H. Hull, director of international business for United Technologies/Sikorsky Aircraft noted,

with regard to continuing sales in the PRC, the increase in types of arms approved by the U.S. Government for export to China would have a favorable impact on our company. For example, the Chinese have publicly stated they desire U.S. made anti-armor missiles. Our H-76B helicopter serves as a weapons' platform for - among others - the TOW missile. A logical and reasonable extension of TOW missile sales to the PRC (from ground launchers) is the helicopter.[Ref. 13]

The increase in arms transfers may also positively affect U.S. defense manufacturers who were already allowed to sell

their products in China. For example, Perry Smith, director of China Programs for AM General pointed out that:

The more U.S. industry or the Government is successful in building increased arms transfer to China, the better we see the business environment. Increased use of U.S. equipment has a multiplier effect on support equipment - such as trucks.[Ref. 66]

Additionally it has long been recognized that allowing US defense industries to expand their markets benefits not only the individual companies involved but also the nation as a whole. This is because of the importance of international trade to a strong US defense industrial base[Ref. 67] which recently has shown signs of deterioration.[Ref. 68]

There are also indications that with regard to military and militarily related technology, the PRC prefers to do business with the United States. [Ref. 69 and Ref. 70] This preference on the part of the Chinese, together with the recent US policy decision to sell the PRC arms, has provided American defense contractors with an outstanding opportunity to enter the China market. In fact, it appears that the technology factor was an instrumental one in the development of current US-China trade policy. This is reflected by Assistant Secretary of State Holdridge who testified before Congress that the US export control policy toward China is designed to strengthen America's economic involvement in China's modernization. He further stated that the administration wants to help US companies employ their edge

in technology to gain greater opportunities in the China market.[Ref. 59:p. 343]

From the preceding discussion, it is apparent that one should not underestimate the economic motivation behind US arms transfers to China. However, in order to determine the true impact of economic motives on the Reagan administration's arms transfer policy, it is first necessary to determine their relative validity.

1. Improve Balance Of Payments

During the FY 86 hearings for DoD authorizations for appropriations, it was reported that US Security Assistance programs contribute to US exports, provide for a more favorable balance of payments, support growth of the Gross National Product (GNP), and generate tax revenues for the government.[Ref. 71]

If the US wants to transfer arms to China to improve its balance of payments with the PRC, then it is predicted that an unconstrained US would:

1. not provide the arms as aid, offer FMS credit, or concessionary commercial financial terms.
2. attempt to sell large quantities of sophisticated and expensive weapons. This would allow the US to take advantage of:
 - a. a perceived Chinese predisposition to purchase American high technology weaponry.
 - a. economies of scale and decrease unit costs of production.
3. would not allow offsets (e.g. use barter trade, co-production, or licensed production to offset the

lack of hard currency) as payment for the weapons transferred by American defense manufacturers. The acceptance of offsets would tend to negate any balance of payments benefits to be derived from the sale of the arms.

4. would not allow any technology transfer which would upgrade the PRC arms industry thereby making it a potential arms sales competitor. This would represent a long-term threat to the US balance of payments as its arms exports could decline in the face of PRC competition.

However, in addition to the constraints previously discussed under enhancing collective security, US freedom of action may be limited by:

1. its lack of market control due to international competition. The US must remember that it does not have a monopoly on technology.[Ref. 31] Therefore, US companies must be willing to make concessions to the PRC such as accepting offsets for arms transfers if they hope to make any arms sales at all.
2. competition among US arms manufacturers which could result in domestic political pressures being applied on US policymakers to make concessions in order to close arms sales.
3. its free market system which limits governmental influence in the American arms sales market.

If the US wants to transfer arms to China to improve its balance of payments with the PRC, then given current constraints, the US can be expected to:

1. not offer any form of US government subsidy to help China purchase the arms. However, the US could encourage concessionary commercial financing as long as the trade balance was not adversely affected.
2. attempt to sell a large quantity of a small variety of weapons due to limited PRC purchasing power. While such an action would decrease the number of US industries involved, it would allow those industries dealing with China to benefit from economies of scale.

3. allow US producers to accept PRC offsets for their arms as long as the trade balance was not adversely affected.
4. severely restrict the transfer of arms production technology to prevent the PRC from becoming a future arms sales competitor.

Regarding arms transfers to China, the US has:

1. not offered the PRC any form of US government subsidy to help with the purchase of arms. US government activity regarding the promotion of concessionary commercial credit for Chinese arms purchases is unknown.
2. offered the PRC only a small variety of weapons. However, to date, the US has received only small PRC orders from among the few weapons offered.
3. not forbidden the use of offsets as payment for arms.
4. applied normal "friendly non-allied" technology transfer restrictions to the PRC.

There was no significant variance between expected and observed behavior. The lack of variance indicates that improving its balance of payments with the PRC has a high probability of being a strong US motive for transferring arms to China.

2. Create Greater Employment

"Security Assistance programs...create greater employment." [Ref. 71] If the US wants to transfer arms to China to create greater employment in America, then an unconstrained US would:

1. offer to sell China large quantities of a wide variety of weapons to gain maximum employment benefits.

2. offer the arms as aid if the PRC is unable to purchase them. As long as one of the two governments pays US industry for the arms employment will be supported.
3. not allow the transfer of weapons production technology. This is to prevent the PRC from becoming a future arms sales competitor.
4. forbid American arms producers from accepting offsets, particularly licensed production and co-production agreements in order to prevent American jobs from moving overseas.

US freedom of action in this case would be limited by the constraints previously discussed under enhancing collective security and improving the balance of payments. If the US wants to transfer arms to China to create greater employment in America, then given current constraints, the US can be expected to:

1. offer to sell China a large quantity of a limited variety of weapons. Limitations on variety will be based on levels of technology and projected use.
2. support concessionary commercial financing for the PRC if the US budget will not support FMS credit or arms as aid.
3. allow limited technology transfer and only if it is required to keep out foreign competition.
4. restrict American arms manufacturers from accepting offsets for payment. Allow only offsets that do not harm US employment, such as barter trade for items which are not produced in America.

Regarding arms transfers to China, the US has:

1. offered to sell the PRC unknown quantities of a limited variety of weapons.
2. offered neither the arms as aid nor FMS credits.
3. allowed significant technology transfer in the artillery munitions plant deal. This transfer will

allow the PRC to develop its own capability to manufacture US artillery munitions.

4. not forbidden US arms manufacturers from accepting offsets as payment.

If the US wants to transfer arms to China to create greater employment, then the following behavior requires further explanation:

1. the transfer of technology in the artillery munitions deal.
2. the failure to ban offsets as payment.

The difference between the expected and observed of the US may in both of the above cases be due to the threat of foreign competition. The major inconsistency between expected and observed behavior is the US failure to insure that American jobs would not be lost through offsets or technology transfer. This inconsistency indicates either a low probability that creating employment is a US motive for transferring arms to China or that this motive has a low priority.

D. RESULTS OF SUPPLIER RATIONALE ANALYSIS

The results of the analysis of the supplier rationale behind America's participation in arms transfers with China are included in Table 2. The principal results of the analysis are:

1. The United States has multiple motives for transferring arms to China.

2. The dominant US motives for arms transfers to China are:
 - a. to enhance the collective security of American allies and friends.
 - b. to prevent the PRC from tilting back toward the USSR.
 - c. to improve America's balance of payments with the PRC.
3. The United States is not transferring arms to China to:
 - a. aid Afghani or Kampuchean resistance movements.
 - b. gain political leverage over China's neighbors.
 - c. create additional American employment opportunities.
4. It is not known if the US wishes to use arms transfers to:
 - a. raise China's nuclear threshold.
 - b. gain influence in China's internal politics.
5. The most frequent inconsistency between America's expected and observed behavior is the US government's failure to aid the PRC's arms purchases by offering Foreign Military Sales credits. The absence of credits could be due to a combination of factors. First, credits are limited due to US domestic fiscal or political constraints. Furthermore, while credits are still being programmed for a number of foreign countries, the PRC may not meet all US requirements for receiving them. It appears that FMS credit is being reserved for either those nations currently confronted with active hostile threats or countries which have been long standing friends of the US.

TABLE 2
RESULTS OF SUPPLIER RATIONALE ANALYSIS

SUPPLIER RATIONALE	COMPARED ACTIONS	INCONSISTENT ACTIONS	PRIORITY/ VALIDITY
Enhance collective security	5	1	High
Gain access to PRC military facilities	6	3	Moderate
Promote equipment commonality	2	2	Low
Stockpile weapons	2	2	Low
Demonstrate US military power	4	4	Low
Control conflict/ no nuclear escalation	0	0	Unknown
Control conflict/ aid rebels	5	5	Low
Demonstrate US friendship	5	1	High
Prevent pro Soviet tilt	6	2	Moderate
Gain influence in PRC internal politics	4	4	Low

TABLE 2
(continued)

RESULTS OF SUPPLIER RATIONALE ANALYSIS

SUPPLIER RATIONALE	COMPARED ACTIONS	INCONSISTENT ACTIONS	PRIORITY/ VALIDITY
Gain leverage over PRC's neighbors	0	0	Unknown
Improve balance of payments	4	0	High
Create employment	4	2	Low

E. COMPARISON OF PRC AND US MOTIVES

Now that America's motives for transferring arms to the PRC have been identified, it is possible to determine if the Reagan arms transfer policy for China can meet both PRC and US demands. As a test of potential demand satisfaction, the arms transfer motives of the United States and China will be compared to each other. This comparison is done to determine if Chinese and American goals are complementary, contradictory or unrelated. The presence of contradictory goals would be an indication that either the US or China ultimately will be dissatisfied by the arms transfer relationship. This would imply that no US policy would be satisfactory unless it included a modification of American goals. Convergent goals, on the other hand, would indicate that the relationship has a strong foundation and should be able to overcome minor misunderstandings. Complementary demands indicate that the relationship could be mutually beneficial and friction would more likely be the result of poor policy execution than its content.

The comparison of recipient demands and supplier rationale is listed in Table 3. This comparison indicates that there are no contradictory demands which will automatically prevent the Reagan administration's arms transfer policy from succeeding. While it might appear that the US desire to improve its balance of payments is in

conflict with the PRC desire to gain access to American technology, this is not necessarily the case. There are numerous instances in international business in which the transfer of technology has been offered in order to gain market access. A notable example of an US firm transferring its technology for entry into the China market is the McDonnell Douglas MD-82 aircraft case.¹⁴¹ The analysis also indicates that the arms transfer relationship is based more on meeting complementary demands than on shared goals.

TABLE 3
COMPARISON OF STRONG RECIPIENT
DEMANDS AND SUPPLIER RATIONALE

<u>SUPPLIER RATIONALE</u>	<u>RECIPIENT DEMANDS</u>		
	LONG TERM SOVIET THREAT	INFLUENCE OVER USSR	ACCESS TO AMERICAN TECHNOLOGY
ENHANCE COLLECTIVE SECURITY	+	0	0
DEMONSTRATE AMERICAN FRIENDSHIP	0	0	0
IMPROVE BALANCE OF PAYMENTS	0	0	0

(+) = convergent (-) = contradictory (0) = complementary

From an analysis of US rationale and PRC demand factors, none of the motives which have been assessed are contradictory. In light of a shared preception of a long term Soviet threat, the PRC desire to counter that threat and the US desire to enhance the collective security of its friends and allies were considered to be the only convergent demands. The remaining demands were assessed to be complementary because each side had something to offer the other to meet its own needs. For example, the PRC's desire to gain access to American technology complements US wishes in that the US can offer its technology in return for China's trade, friendship, and support of collective security.

V. ARMS TRANSFER COSTS TO SINO-AMERICAN RELATIONS

Like most other policies regarding American national security, President Reagan's arms transfer policy for China involves costs as well as benefits for the United States. If the benefits of US arms transfers to China under the current policy outweigh the costs, then the policy can be considered sound. However, a comparison of actual policy costs may not be possible since the total costs of arms transfers are not always known at the time of their initiation. Thus, because of their long-term impact, arms transfers normally involve an element of risk. Yet, the soundness of the Reagan policy can still be evaluated by comparing its possible benefits with its risks which may be defined as its probable costs.

The benefits that the United States wishes to attain by selling its arms to China should be clear from the discussion in chapter four. What remains to be determined in this chapter are the probable costs the US may have to bear for its arms transfer policy for China.

US arms transfers to China can be expected to affect American relations not only with China itself but also with China's neighbors.[Ref. 20:p. 21] However, since the Soviet Union is China's only neighbor which is currently likely or powerful enough to threaten America's vital interest the

investigation of policy costs will be focused on the potentially negative reactions of only the PRC and the USSR. The analysis of adverse Chinese and Soviet reactions is divided into two parts. The first part, which covers the remainder of this chapter, will be an analysis of the negative potential of arms transfers on Sino-American bilateral relations. Part two, covered in the next chapter, will be a discussion of the probable effects that US arms transfers to China will have on the US-USSR-PRC strategic triangle.

In the sale of its arms the United States is required by law to consider not only its own costs and benefits but also those of the recipient country. This is partly because the Arms Export Control Act authorizes US sales to governments which have sufficient wealth to make arms purchases without undue burden on their economies.[Ref. 73]

Costs associated with US arms transfers to China are not limited to the economic arena. This point was recently made by Ambassador William Gleysteen, when he asked a panel of China scholars how much external military assistance China could absorb without endangering its own economic and political stability.[Ref. 74]

A. MILITARY COST TO SINO-AMERICAN RELATIONS

Perhaps the most dangerous aspect of the US providing its arms to the PRC is that those weapons might one day be used against American soldiers. While there is general agreement among US specialists that there is little likelihood that US arms transfers would immediately affect China's near-term power projection capabilities,[Ref. 10:p. 13] no such consensus on their long-range impact exists. Additionally, events in Iran demonstrated that even in the absence of a major military confrontation, the US could find its interests jeopardized by the arms it transferred to a former friend. For example, "the 'Desert One' hostage rescue mission was complicated by the fact that we had given the Iranians technology that was too sophisticated to be countered by US systems." [Ref. 31]

While there are no absolute guarantees that Americans will not face Chinese in some future conflict, the near term probability of such a clash has been judged by the current administration to be remote. In fact, the Reagan administration's policy review of the Sino-American relationship was based on the premise that China is not a US adversary but a friendly country with which America shares important strategic interests.[Ref. 11]

A second potential problem with providing US weapons to China is that through a retransfer, the US arms could end up in the hand of America's enemies.[Ref. 3:p. 22] For

example, the PRC, which has been recently identified as an arms supplier to Iran[Ref. 75], could possibly sell its US supplied weapons to the Iranians. Since Washington has banned all US arms transfers to Iran, it would be a logical move for the regime in Teheran to attempt to circumvent the US ban by securing spare parts and replacements for its American made weapons from China if they were available. For its part, China might be motivated to sell the weapons to Iran in order to gain badly need hard currency.

Yet, the risk of unauthorized Chinese retransfers of American weapons may currently be considered to be minor. This assessment is based on a number of factors. First, prior to export authorization approval, the US will require assurances from the PRC that it will not transfer American equipment to third parties without written permission.[Ref. 9:p. 5] Secondly, China has agreed to the arms retransfer provisions of US law.[Ref. 41:p. 201] Additionally, it can be argued that China will be strongly motivated to abide by the US restrictions by its own self interests. It is doubtful that the Chinese would risk the long term benefits they stand to gain from continued US arms and technology transfers for short term monetary gains from unauthorized sales. Finally, America has a number of ways of monitoring China's compliance with end user agreements. One means is through the reports of US intelligence agencies. Another is through America's control of spare parts for its transferred

equipment. The control of spare parts is particularly useful because it gives the US both a means of tracking unauthorized Chinese retransfers through abnormal resupply requests and a way to discourage the retransfers by threatening to withhold from the PRC future repair parts and replacement items.

One other possible military cost that the US might incur from its arms transfers to the PRC is having to face an increased Chinese strategic nuclear capability. This is based on the presumption that US aid to China's conventional forces could allow the PRC to devote more attention to developing strategic weapons.[Ref. 10:p. 29] It can also be argued that technological spin offs from arms-related technology transfers might contribute to an improved Chinese strategic nuclear capability as well. There is, however, no real evidence showing that resources saved from conventional military improvements will be reallocated for the enhancement of China's strategic forces. Moreover, the Chinese have demonstrated a remarkable continuity in their indigenous nuclear weapons development which was relatively unaffected even by the turmoil and upheaval of the Cultural Revolution and is not, therefore, expected to be dramatically affected by US arms transfers.

It should be clear from the preceding discussion that while the potential military costs of US arms transfers are

quite high the probabilities that these costs will actually be extracted is rather low. Thus, the militarily related risks of the Sino-American arms connection are also low. Furthermore, there are a number of actions which can be taken by the United States to minimize the military risks. One of these is to strictly limit the type, quantity and quality of the arms to be transferred to the PRC. By imposing such restrictions, the United States would be limiting the potential price its own armed forces would have to pay in the unlikely event that the transferred weapons were used against them. The imposition and maintenance of transfer limits, however, carry with them additional costs which require analysis as well.

B. POLITICAL COSTS TO SINO-AMERICAN RELATIONS

In addressing the potential military dangers involved in transferring US arms to China it has been repeatedly argued that the United States has no intention of transferring either technologically sophisticated or offensive weapons to the PRC. However, two prominent China scholars have noted a potential problem regarding US arms transfer intentions. June Dreyer has called the problem the "slippery slope." The "slippery slope" results from a feeling that because a certain level of technology or type of weapon is approved at one time, the next level of technology or a different type of weapon will have to be approved later.[Ref. 76] Thus,

early intentions to strictly limit arms transfers may be ignored or forgotten with the passage of time. Allen Whiting discussed the same phenomenon and attributed it to an American tendency to try to do a little bit more than before in order to show progress in a relationship.[Ref. 77]

Even if relations between Washington and Beijing remain positive and the chances of the Chinese turning their US supplied weapons on Americans remain minimal, the escalation of PRC weapons demands could pose a serious political problem. This is the potential for misunderstanding and conflict which might arise from US reluctance to accede to rising PRC arms demands.[Ref. 10:p. 25] Should China decide to use its approval to receive a restricted weapons system as a test of American friendship, then the United States would be faced with the dilemma of having to either relax its restrictions or fail the test. It should be noted that this particular scenario is not an improbable one as it has been repeatedly played out by the US with such nations as Pakistan, Israel, Jordan, and most recently Saudi Arabia with its desire to receive additional Stinger anti-aircraft missiles. However, it should also be noted that the potentially adverse Chinese reaction to such a case might vary from a mild protest to a dramatic reversal of the Sino-American normalization process. Yet, both the probability and the costs of Chinese demand escalation can be minimized by the careful American management of its arms

transfer relationship with the PRC. If the United States is careful about not raising China's arms expectations beyond a point where America is willing to deliver, then the whole problem can probably be avoided. Furthermore, if American officials involved in arms transfers to the PRC work to insure that the Chinese understand how the American system works, then Beijing is less likely to take offense at a Washington failure to deliver a specific system.

A second major political problem of American arms transfers to China is that US military ties might identify the United States too closely with a group in the Chinese leadership whose tenure may be limited and whose successors may not be favorably disposed to the United States.[Ref. 10:p. 25] In fact, such ties might be used by opposition factions as an issue to challenge the current leadership. PRC opponents of Sino-American normalization could attack the current regime in Beijing on the grounds that it was being manipulated as a pawn in a contest between the superpowers.[Ref. 76:p. 5] An example often cited which demonstrates the extremely negative effects US arms transfers can have on the internal political stability of a country is that of Iran. Pierre notes that in the case of Iran the arms transfer relationship between Teheran and Washington came to symbolize American support for the Shah which was strongly resented by those elements of Iranian society that came to power through the revolution.[Ref. 3:pp. 152-153]

Because of the inherent dangers of a political reversal in China, one might suggest that the United States wait until the the current leadership in Beijing has had more time to solidify its power base, insure its succession, and institutionalize its reforms. However, it has been pointed out by Thomas Robinson that the United States may not have the luxury of waiting and that it "must proceed with some further degree of military relations with China, since it has been Washington that has encouraged Beijing to believe that military assistance would be forthcoming." [Ref. 33:p. 128] Furthermore, it has also been argued by the Deputy Assistant Secretary of Defense for East Asian and Pacific Affairs, James Kelly, that:

While there is a need for prudence against the possibility of a different Chinese orientation in the longer term, we must also recognize that China's future orientation will itself be influenced by China's experiences. Excessive caution out of fears of an unexpected change in that orientation might become a self-fulfilling prophecy. On the other hand, a more forthcoming policy could enhance Chinese perceptions of the long term value of a friendly relationship with the West, reducing the risk of eventual confrontation. [Ref. 41:p. 195]

While there is little disagreement that the return to power in China of a radical anti-American faction would be costly to US interests, no one can reliably predict the probability of such an occurrence. Yet, even in the uncertainty of China's internal political future, the United States can take measures to minimize the risks that its arms transfers will be a contributing factor. Among the actions

recommended to reduce the possible negative impact of its arms transfers, are

- a. avoidance of ostentatious displays of US military cooperation which are not backed by substance, [Ref. 10:p. 4]
- b. being attuned to the danger of re-creating within China an elite, that because of its ties to the West, becomes dissociated from its cultural and social ties to the rest of Chinese society. [Ref. 78]
- c. letting defense relations mirror the slow but steady growth of the United States-China political and economic relations. [Ref 41:p. 193]

C. ECONOMIC COSTS TO SINO-AMERICAN RELATIONS

A third area in which arms transfers can have a significant impact on Sino-American relations is that of economics. Some of the potential dangers for the US associated with a Chinese economic failure include nationwide instability which could lead to a tilting back toward the Soviet Union or even a PRC reversion to some form of Maoism. US involvement in the PRC'S economy could also leave America vulnerable as a scapegoat for the failure of "socialism with Chinese characteristics." [Ref. 8;p. 155]

US-PRC arms deals could endanger China's economic progress in a number of ways. An overemphasis on the procurement of expensive US weapons systems could put the Chinese military in direct competition with other bureaucratic elements for relatively scarce modernization funds and lead to serious political infighting. [Ref. 67]

Additionally, the purchase of expensive "white elephants", like the Rolls Royce Spey engine which could not be adapted to the PRC's existing fighter aircraft, might be used to discredit those Chinese leaders who favor a US orientation and as an excuse for decreasing Sino-American ties. Thus, arms transfers to China could cost the United States and China a great deal more than just money.

Yet, one should not overstate the risks of American arms transfers to China's economy. In the first place, while China's foreign reserves have been recently depleted[Ref. 79], the PRC continues to have a relatively small foreign debt and has been quite conscientious in making its payments on both interest and principal.[Ref. 79:p. 99] Secondly, the Chinese have carefully guarded their hard currency assets by patiently looking for good financing arrangement for their overseas trade deals.[Ref. 13] Third, China's leaders have repeatedly stated that military modernization is ranked last among their four modernizations behind agricultural, industrial, and scientific and technological modernization. Lastly, the Chinese have also been careful to select technologies which have both civilian as well as military applications. Thus, the probability of US arms transfers "overloading" the PRC economy is extremely low.

The principal threat to US economic interests from its arms trade with the PRC comes from technology transfer. This problem would not exist if the Chinese would be satisfied with merely receiving US end products.

Unfortunately, this is not the case. James A. Kelly reported to Congress the Chinese, "do not consider foreign procurement of end items to be a viable option; they want the technology with which to manufacture their own weapons.[Ref. 41:p. 200] There are two major reasons for this. One is that the Chinese feel that they were burned by the Soviet Union in the 1950s and are therefore unwilling to become dependent upon another country for their arms.[Ref. 80] The other is that they cannot afford to buy all the weapons they would need to modernize their armed forces.[Ref. 31] Therefore, the Chinese can be expected to insist that some form of technology transfer come with any procurement of weapons from the United States.

A primary cost of technology transfer to China is the future loss of market share. Don Bonker, chairman of the House Subcommittee on International Economic Policy and Trade recently remarked during hearings on "Controls on Exports to the People's Republic of China, that the Chinese are interested in joint ventures in order to set up manufacturing plants with the help of American technology. He also noted that the Chinese plan on exporting about fifty percent of what they produce to offset the initial cost of the plant which makes the PRC a potential competitor in the world market in a whole range of areas.[Ref. 82]

In the area of international arms sales, the Chinese have already become a major force even without American

technology. Since the beginning of the 1980s, China has jumped from tenth to fifth place among the arms exporters of the world.[Ref. 83] In 1984, Peking is reported to have sold around (US)\$ 1.66 billion worth of weapons which accounted for about seven percent of the country's total export earnings. Today, China lags only the Soviet Union, the United States, France and Great Britain in total arms sales.[Ref. 84] Currently the PRC sells armament to more than twenty-three countries in the Third World.[Ref. 85]

In the near future, however, China is not expected to become a major sales competitor for either the United States or the Soviet Union. This is because the PRC does not possess the capability to produce the high level, sophisticated equipment made by the superpowers or other technologically advanced countries. Yet, the lack of sophisticated weapons has not prevented the Chinese from penetrating some traditional American markets, the most notable of which are Iran, Pakistan, and Thailand. In the case of Iran it may be argued that it was the US embargo of arms which allowed China to enter the market and gain sales estimated to be worth (US)\$ 1.6 billion. In Pakistan's case, China's sale of its A-5 Fantan-A jet may be based as much on historical political relationships as on the plane's low cost. China's low prices, however, seem to be the main

reason that Thailand has apparently chosen China's diesel electric submarine over its Western competitors.[Ref. 86] China's chief economic advantage over its Western competitors appears to be based on its lower labor costs. In fact, in labor-intensive industries, China's low wage scale is sometimes cited as being an unfair advantage. For example, Gerald Solomon, a US congressman from New York, dramatized this point during 1983 congressional hearings when he said that an industry in his district and in several other parts of the country is on the verge of bankruptcy because of their inability to compete with Chinese labor.[Ref. 87] China's edge in labor can be expected to give it some economic advantages in direct arms sales competition with the United States. This will be particularly true if the United States agrees to transfer technology which will allow China to enter more sophisticated levels of the arms market.

Since China is not expected to receive state-of-the-art weapons systems, the United States has little to fear from China with regards to these types of arms sales. However, in less than state-of-the-art equipment which includes many of the systems currently under negotiation, China might develop the capability to become a real economic competitor. In the Association of Southeastern Nations (ASEAN) market alone, the United States could stand to lose over (US)\$ 1 billion annually. This estimated is based on FY 87

commercial sales, which normally involve less than state-of-the-art equipment.[Ref. 88]

There are a number of examples in which arms transferred by the United States to developing countries carried with them the technology which made the recipients arms sales competitors. The connection between US technology transfer and the arms production capabilities of developing nations was recently studied by David Louscher and Michael Salomone. They concentrated on "the transfer of less than state-of-the-art technologies and production capabilities to developing nations through routine security assistance." [Ref. 89] One of the cases which is particularly relevant for the China arms transfer decision is Korea. The Republic of Korea provides an excellent example of how China's arms industry could be developed with US technology since the Chinese and Koreans share many cultural characteristics and the Korean case is a relatively recent one. Of the Korean case, Louscher and Salomone observed that the Republic of Korea has developed a significant military production capability primarily through license and assembly agreements with the United States. ef. 89:p. 162] Furthermore, they reported that by 1980 Korea has become a significant arms exporter with revenues exceeding (US)\$ 200 million per year. Finally they noted that in 1982 Korean arms exports were nearly (US)\$ 1 billion. [Ref. 89:p. 167]

Based on a study of ten separate cases, the study concluded "that the U.S. Government and U.S. corporations are creating significant competition through security assistance policies which in the past may not have been attentive to the long term implications of defense production information transfer." [Ref. 89:pp. 175-176] Thus, arms transfers which provide technology to the PRC have the potential of doing moderate damage to the US economy by providing China the wherewithal to compete with and possibly overtake at least a portion of the American arms industry in the future.

There are, however, some who argue that the economic dangers of arms related technology transfers have been overdrawn. Supporters of arms transfers are quick to point out that China will be expected to sign standard end-use statements which prohibit the sale of goods provided by or manufactured with US technology to third parties. So long as China agrees to abide by the end-use restrictions, they argue, the US has little to fear from its technology transfers to the PRC. Yet, modern manufacturing has become so complex that it is often quite difficult to determine what technologies and technological spin-offs are the result of transfers from an outside element or from indigenous efforts. Additionally, the United States often has trouble enforcing end-use rules. This is because in most cases, the

US simply lacks the diplomatic or economic leverage to force another country to abide by the rules.[Ref. 75:p. 39]

However, even in the absence of US-imposed sales restrictions, the PRC will face many difficulties in becoming a viable economic competitor with the United States in the export of arms. One significant constraint on China's export capability is its poor industrial infrastructure.[Ref. 90] Another limiting factor is China's shortage of technicians and managers.

From the preceding discussion, it should be apparent that the technology transfers that can be expected to accompany US arms transfers to the PRC pose some threat to America's economic interest. The extent of this threat will be dependent upon many factors including the type and level of technology transferred, China's willingness to adhere to end-use rules, the laws of comparative advantage, China's overall economic modernization, and the international political climate, among others.

America's interaction with other potential arms suppliers to the PRC presents one final problem to be discussed. This is the problem of coordination with America's COCOM allies. COCOM, or the Coordinating Committee for Export Controls, is an organization which was founded with the purpose of controlling the export of militarily relevant technology to Communist countries. It was established in 1949 and its members include Japan and

all NATO countries except Iceland and Spain. Militarily related exports to the People's Republic of China have been subject to COCOM review since China adopted a communist form of government in 1949. One early concern with regard to COCOM was the "fear that ignoring COCOM in sales to China could weaken it resulting in fewer constraints on sales of advanced technology to the Soviet Union." [Ref. 91] A more recent problem is that member nations are accusing each other of using COCOM for commercial advantage regarding sales to China. [Ref. 92] Disagreements within COCOM over arms transfers to the PRC could undermine the entire apparatus as well as create unnecessary economic friction among allies. The loss of COCOM would have serious security implications for East-West relations, while economic friction could result in unnecessary economic costs resultant to tariffs, embargos, subsidies, sanctions and other elements of economic warfare.

The risk to COCOM of US arms transfers have, however, recently been minimized. This was done through the careful coordination with COCOM of changes in US export policy regarding China. On the problem of commercial advantage, Acting Assistant Secretary for Trade Administration, William T. Archey recently reported to the Congress that the administration has been consulting with America's COCOM allies on the expeditious processing of cases for China and has gotten a positive response in nearly all cases. He also

informed the Congress that the administration has been careful to assure the COCOM allies that the US is not seeking a commercial advantage by attempting to move China cases more rapidly.[Ref. 27:p. 10] In fact, some European countries like Italy and France have also been pushing for COCOM to lift the ban on a number of export items.[Ref. 93]

With regard to the Soviet Union and its Warsaw Pact allies, Donald M. Anderson, Acting Deputy Assistant Secretary of State for East Asian and Pacific Affairs, testified that America's COCOM allies did not feel that changing China's export status was going to cause any particular problems. He indicated that there would be no trouble in maintaining a more restricted export policy toward the USSR and the Warsaw Pact than toward the PRC.[Ref. 94] Thus, with careful coordination, it appears that the risk to COCOM of US arms transfers to the PRC can be and have been minimized.

D. ASSESSED RISK TO SINO-AMERICAN RELATIONS

From the preceding analysis it has been determined that the risk to Sino-American bilateral relations created by US arms transfers to China is minimal. A summary of potentially negative Chinese reactions to the transfer of American arms is included in Table 4. While the potential costs to US interests of an adverse Chinese reaction could be quite high, the probability of such a damaging PRC

reaction is in most instances low. Moreover, in those cases in which the risk of an adverse reaction is not normally low, the US may take precautionary measures to reduce its risk. Thus, one can conclude that as long as the Reagan administration has a plan for risk minimization, its arms transfer policy for China should do little harm to Sino-American bilateral relations. If the United States and China were the only countries affected by the arms transfers, then one could conclude that the benefits outweigh the risks and the Reagan arms transfer policy for China is a sound one. However, because US arms transfers to China have the potential of affecting a number of nations in Asia the aforementioned conclusion is a little premature. Before a final judgement on the soundness of the policy can be passed, its benefits and risks for US relations with China's most powerful neighbor, the Soviet Union must also be assessed. This assessment is the subject of the next chapter.

TABLE 4
ASSESSSED RISK TO
SINO-AMERICAN RELATIONS

CHINESE REACTION	TYPE ACTIVITY	COST/ THREAT TO US	PROBABILITY IT OCCURS/ SUCCEEDS
Conflict with US	Military	High	Low
Retransfer arms to US enemies	Military	High	Low
Enhance PRC nuclear capability	Military	High	Low
Escalate arms transfer demands	Political	High	High*
Reverse political orientation	Political	High	Unknown*
Overload economy	Economic	High	Low
Become arms sales competitor	Economic	Moderate**	High
Undermine COCOM	Economic	High	Low

*Probability of occurrence can be lessened by precautionary US actions.

**China is expected to compete in sales of less than state-of-the-art equipment.

VI. EFFECTS ON THE US-USSR-PRC STRATEGIC TRIANGLE

In examining the issue of US arms transfers to the PRC, one of the most significant questions which must be addressed is the reaction of the Soviet Union. In 1980, Raymond Garthoff stated that since the Soviet Union is the only power in the world presently capable of posing a vital threat to the United States, Americans should give special importance to any situation which could affect our security interests in the adversary relationship which exists between the US and the USSR. He further stated that there is a fine line between developments in Sino-American ties which serve to deter adverse Soviet actions and those which provoke them.[Ref. 95]

Thus, a miscalculation in Washington regarding Moscow's reaction could be quite dangerous. In the extreme case, the US decision to sell weapons to the PRC could lead to a major Soviet confrontation with either the United States or China.

A. SOVIET PERCEPTIONS

Soviet concerns with US arms sales to China have their foundation in the general Soviet perception of China as a threat to the USSR. Writing in the Journal of Strategic Studies, Gerald Segal noted that in both geographical and

historical terms the Soviet problems in the Far East are severe. This is because in the Far East the Soviet Union has to contend with vast open territory, few safe logistic links, and virtually no buffer states. Furthermore, its troops face a China with a large population, irredentist claims and a recent tendency to tilt toward the United States.[Ref. 96]

Soviet fears of an armed conflict with China were to a limited extent realized during their 1969 border clashes. Although fighting along the border was quickly contained, Moscow redoubled its efforts in building up its military forces in the Far East, and the number of divisions along the Chinese border increased from its pre-1969 level of about nineteen divisions to a strength of over fifty divisions by the early 1980s. Since attaining this strength level, Soviet force improvements have been qualitative rather than quantitative and appear to be part of an overall force modernization rather than in response to increased Chinese capabilities. However, Moscow has never been complacent about the "Chinese threat" and has become increasingly alarmed by the prospects of a US-PRC arms connection. As Paul Langer points out, since the Chinese opening to the United States, Moscow has feared that American weapons systems and technology might transform a potential Chinese threat to Soviet security into an actuality.[Ref. 45:p. 265]

Current Soviet perceptions regarding US arms sales to China may be determined from a survey of their media. The Soviet press has carefully followed the development of Sino-American military ties and was quick to report the Washington Post announcement of the pending artillery munitions deal.[Ref. 97] In a recent article, I. Alexeyev and F. Nikoleyev imply that the Soviets believe that the US-China relationship is being built on an anti-Soviet basis. This belief is reflected in the following passage from their article:

To keep China to its pro-Western stand, the White House claims that the two countries' "strategic interests" are identical or close. It has lifted some of the restrictions on trade and economic ties with China by listing it as a "friendly state" and is involving it in military cooperation by offering American arms. It is significant that Washington is doing all this against the background of extreme hostility against the Soviet Union.[Ref. 98]

An Izvestiya commentary on former Chairman of the US Joint Chiefs of Staff General John W. Vessey's 1985 trip to Beijing said, "It is striking that both the US and Chinese press are trying to justify the buildup of US-PRC military cooperation with far-fetched allegations about a Soviet Military threat." [Ref. 99] From these and other commentaries on the subject of Sino-American military ties, it should be apparent that the Soviet Union takes a dim view of US arms transfers to China.

The Soviet Union has issued explicit warnings not only to the United States but also to its Western allies against

selling arms to China.[Ref. 100] In early 1978, when China was just beginning to look abroad for modern weapons, the Washington Post reported "The Soviet Union cautioned the West... against supplying weapons to China." [Ref. 101] More recently, the 7 June 1984 edition of the New York Times, carried an article detailing remarks by Yuri Dergachev, a commentator of the Soviet's Novosti press agency. Dergachev is reported to have said that the Soviet Union would not only have to respond to any military cooperation between the United States and China but that it would also retaliate if it saw its security or that of its allies in greater danger.[Ref. 32]

Finally, Soviet concerns with possible US-China military cooperation were also manifested in their recent dealings with the PRC. This was reported by Donald Zagoria who noted that Soviet Foreign Minister Gromyko had raised the issue of growing Chinese-American military cooperation with China's Foreign Minister Wu Xueqian during a 1984 U.N General Assembly meeting.[Ref. 101]

Given that the USSR perceives US arms transfers to the PRC to be a threat to its security, it would be logical to expect the Soviet Union to initiate actions to counter them. The USSR's responses to the developing US-PRC arms connection will most likely be in consonance with the overall Soviet strategic objectives for Asia. These objectives, which are to increase its own regional

influence, counter the influence that the US currently enjoys in Asia, and contain the expansion of the PRC's influence there, are threatened by US arms transfers to China. They may never be attained if the Chinese are allowed to modernize their Armed Forces with American support.

The Soviet Union has at its disposal all of the international relations tools of a modern nation state. These include but are not limited to political, economic and military activity.

B. POLITICAL STRATEGIES

While perceptions influence the development of strategy, it is capability which, when combined with motivation, transforms strategic thought into action. Soviet political activity to counter US arms transfers to China will probably be focused on weakening the US-PRC relationship. The Soviets will attempt to apply both direct and indirect political pressure on each party.

1. Link Transfers To US-USSR Relations

In order to reverse the American decision to supply arms to the Chinese, the Soviets can be expected to link US arms transfers to China to the state of US-USSR bilateral relations. Moscow may threaten to torpedo the ongoing negotiations on Strategic Arms Reductions (START), Intermediate/Theater Nuclear Force (INF) Reductions, and/or

Mutual and Balanced Force Reductions (MBFR) in Europe if the US continues to develop a military relationship with China. The Kremlin hinted at this strategy in 1978 when it gave its warning against Western arms sales to Beijing.²⁰⁰ This strategy was further acknowledged by Malcom Toon. During his 1980 Congressional testimony Ambassador Toon said, that if the Soviets are convinced that the United States is entertaining the idea of a serious arms supply relationship with the Chinese, it would be difficult to contemplate any sort of continuation of the SALT process.[Ref. 103] The linkage strategy could be particularly attractive to Soviet policy makers because they may believe that it caused the seven year delay, between 1978 and 1985, when America first considered and then finally decided to sell the Chinese arms.[Ref. 9]

Although the potential costs to the United States of a Soviet linkage strategy are very high, the probability of its successful implementation is rather low. In the first place, it is doubtful that the threat to the USSR of the proposed US arms transfers to China outweighs the threat of being beaten in a strategic arms race by the United States. A walkout on current arms and force reduction negotiations by the Soviets would also tend to isolate them diplomatically and could generate a widespread anti-Soviet backlash. Additionally, Soviet fear of the American Strategic Defense Initiative (SDI) gives Washington

additional leverage for keeping Moscow at the bargaining table. Although the evidence is not conclusive, it appears that Soviet concerns with SDI were instrumental in the USSR's recent return to arms control negotiations with the United States. It is doubtful that the Soviets would carry out any threats to cease the ongoing bilateral negotiations with the US just to prevent the currently proposed US arms from reaching China.

Furthermore, the Soviet Union may be reluctant to use a linkage strategy because of its potentially negative effects on the Chinese. In using linkage, the Soviet Union would run the risk of driving the United States and China closer together rather than separating them. There is little doubt that Beijing would take offense with any overt Soviet interference in US-PRC bilateral affairs. This would probably result in the end of any hopes Moscow has of a rapprochement with Beijing and might even motivate the Chinese to participate in a some sort of regional security arrangement with the Americans.

2. Sino-Soviet Rapprochement

Regarding a Sino-Soviet rapprochement, however, the re-establishment of harmonious relations with the Chinese may be another way for the Soviets to break the US-PRC arms connection. The rapprochement strategy could disrupt the US-PRC arms trade in a number of ways. First, it would alarm conservative US policymakers, who, fearing the

retransfer of US weapons technology from the Chinese to the Soviets, would make it more difficult if not altogether impossible for China to receive US arms.[Ref. 104] Nayan Chanda recently reported that Washington feared China's setting up of a joint scientific and technological commission which the Soviet Union, announced during Soviet First Deputy Premier Ivan Arkhipov's visit to China in December 1984, could complicate US technology transfer to China.[Ref. 29:p. 17] Secondly, a decrease in tensions between Moscow and Beijing would decrease China's motivation for using its limited hard currency to procure expensive foreign weapons and weapons technology. Finally, the normalization of relations between China and the Soviet Union could lead to a renewed military relationship. Should this occur, the USSR could pre-empt US arms sales to China through its own arms transfers.

The possibility of a Sino-Soviet rapprochement may not be a remote one. In fact, the principal Soviet diplomatic initiative toward China has been to rebuild relations. Beginning in the late Brezhnev years and continuing through the present Gorbachev regime, the USSR has made repeated overtures to the PRC. Moreover, improved Sino-Soviet relations was a subject which was stressed during a recent meeting of Soviet Communist Party leaders.[Ref. 105] It also appears that these Soviet overtures have not gone unnoticed by the Chinese as

.evidenced by their detailed coverage by the PRC news service, Xinhua. [Ref. 106]

A rapprochement between the PRC and the USSR has also been aided by the moderation of their ideological dispute.[Ref. 96:p. 190] Wen Wei Po, a Hong Kong newspaper which normally reflects mainland attitudes, reported that "The diminishing of ideological differences and the acknowledgement of similar social systems have without doubt helped in improving relations between the two sides." [Ref. 107] A key reason that ideology is being placed in the background by both parties is that ideology is currently undergoing significant transformations not only in Deng's China but also in Gorbachev's Soviet Union. However, the resurgence of competition for the ideological leadership of the Socialist world based on the relative success of either evolution could thrust ideology back into the forefront of the Sino-Soviet dispute.

Despite current and projected difficulties, in the view of some China watchers it is inevitable that the Chinese and the Soviets will get back together. Thomas Robinson asserts in his essay on "Sino-Soviet Competition in Asia" that it is against the interests of both the USSR and the PRC as well as their respective ruling communist parties to continue the zero-sum competition that has characterized the last twenty years. Thus, argues Robinson, it is a matter of

time until a major improvement in Sino-Soviet ties occurs.[Ref. 108]

From the preceeding discussion, it appears that the Soviet Union may be able to preclude the development of a Sino-American military relationship and prevent the PRC from receiving US weapons by their own re-establishment of friendly relations with the Chinese. However, the actual threat to the United States of a Sino-Soviet relationship would be dependent upon the nature of that relationship. The greatest threat to US interests would be another anti-American Sino-Soviet political-military alliance similar to the one in the 1950s. Despite the progress the USSR has made toward restoring its relations with China, it is still very doubtful that there could be a return to the level of friendship which they enjoyed prior to their split. In fact, there are a number of obstacles to the development of a close political-military relationship between the Soviet Union and China.

The People's Republic of China has consistently cited three major obstacles to Sino-Soviet normalization. These are:

1. The Soviet occupation of Afghanistan,
2. Soviet aid to Vietnam in Kampuchea, and
3. Soviet troops on the Sino-Soviet border and in Mongolia.[Ref. 109]

What concerns US policy makers, however, is that in spite of the fact that the Soviet Union has made no real concessions on these three issues, the Chinese have apparently decided to pursue improved relations anyway.^{ef.} 46] For their part, the Chinese have been quick to point out that despite recent indications of a decrease in tensions, they "have not relented on their three pre-conditions (the "three obstacles") for a full normalization of relations with the Soviet Union.[Ref. 29:p. 17] In fact, there are some recent indications that Beijing is beginning to take a tougher stand toward Moscow.[Ref. 110]

On the Soviet side of the dispute, there has been no indication that Moscow is prepared to agree to any of China's three conditions for normalization. Recent Soviet overtures have been described by some Chinese as merely "sidestepping the fundamental obstacles." [Ref. 107] Soviet intransigence toward resolving fundamental issues with China may be traced to a number of domestic factors. Vernon V. Aspaturian writes that a primary reason for the lack of resolution of Sino-Soviet problems is that there appear to be several interest groups in the Soviet Union who benefit more from Sino-Soviet tensions than from Sino-Soviet detente.[Ref. 111]

A more international constraint on Soviet actions is that any Soviet concession to the Chinese could set a bad

precedent in Soviet foreign relations. A Soviet withdrawal from either its border with the PRC or from Afghanistan in response to Chinese pressure could generate additional political pressure for other withdrawals.[Ref. 112] This constraint is particularly strong with regard to the Warsaw Pact. The Soviets can ill afford to add territorial challenges to the pressures they are already facing from Pact nations such as Poland or Romania.

In addition to these contemporary issues, there are other more fundamental problems separating the Chinese and the Soviets. Among those are the fact that:

1. the Chinese and Soviets share the longest common boundary in the world.
2. there is a strong ethnic element in the dispute.
3. there have been a number of serious historical disagreements between the Russians and the Chinese.[Ref. 113]

Even though the weight one might give these three factors today is debatable, they are still worth noting. When the historical frictions are combined with the more contemporary issues, it becomes quite evident that due to the significant number of obstacles to a true Sino-Soviet rapprochement, there is almost no chance of one taking place.[Ref 44:p. 53] Therefore, a Sino-Soviet rapprochement, due to its low probability represents minimal risk to US interests and should not deter US arms transfers to China.

3. Link Transfers To East-West Relations

In addition to their bilateral diplomatic maneuvering with the US and the PRC, the Soviet Union may also attempt to attack the Sino-American relationship by using third parties to pressure both the United States and China. One approach that the USSR might use would be to expand the linkage strategy already discussed to include America's NATO allies. Douglas Stuart noted that although the USSR has not felt compelled to harangue Western governments regarding their relations with China it retains an impressive array of negative and positive instruments for influencing Western European policy.[Ref. 114] By linking Sino-US military relations in general and arms transfers in particular to East-West relations, the Soviets could put the US in the position of having to choose between NATO and the PRC.

The Soviet Union will, however, probably be reluctant to try influencing the United States by pressuring its Western European allies. In addition to the arguments against linkage which already have been made, the USSR might also be restrained from using Western Europe as a lever because of its own growing political and economic interdependence with the region. Furthermore, the Soviet's recent bad experience with using a heavy hand in trying to prevent the European deployment of US Pershing II and Cruise

missiles may provide still another disincentive for involving NATO.

4. Isolate And Encircle The PRC

Although the USSR has considerable political clout in Western Europe, this is not the case in the Far East. While the Soviet Union is politically active in East Asia, it is "relatively new to the region and certainly not accepted politically as a 'natural' state." [Ref. 96:p. 185] In its continuing competition with the PRC for regional influence in Asia, the Soviet Union will maintain its efforts to politically isolate China. Edward Luttwak noted that the a goal of Soviet strategic diplomacy has been "to enroll as many of China's neighbors as possible in a Moscow centered alliance against the PRC." [Ref. 115]

In order to get China to refuse American weapons or at least lessen their impact, the Soviet Union may redouble their efforts to isolate the PRC. By combining the age old fears of Chinese expansionism held by many of China's neighbors with the future prospect of a China armed with modern American weapons, the USSR might be able to strengthen their anti-Chinese alliance, which currently includes only Indochina and partially India. In addition to forming a military alliance, the USSR might use the issue of the growing Chinese threat to the region together with other diplomatic and economic initiatives to either attract nonaligned nations like Malaysia and Indonesia or draw

western-leaning nations like South Korea and Japan more toward the center. Such a strategy would serve both to lessen the impact of China's modernized armed forces and to give the Soviets additional leverage with which to break the Washington-Beijing connection.

Yet, the probability of success for either a Soviet encirclement or isolation strategy to counter the developing US-PRC military relationship cannot be considered to be very high. In order to effectively contain and/or isolate the Chinese the Soviets would have to do a number of things all of which are less than likely. First, they would have to convince nations like Japan and South Korea that China represented a greater threat to the peace and stability of the region than the Soviet Union. Furthermore, they would have to convince these and other US allies to follow a Soviet rather than an American political lead. Additionally, the USSR would have to persuade countries like North Korea, India, and Indonesia that formal alignment with the Soviet Union would be more advantageous to them than even superficial nonalignment.

While the Soviets may react to US arms sales to China by stepping up their attempt to encircle the PRC, the small chance of success for this strategy tends to diminish its risk potential. Furthermore, encirclement which may be threatening to China would not necessarily be detrimental to the United States and it could actually drive the PRC closer

to the US. The Soviets might also be inhibited from completely encircling the PRC because of fears on the part of some in the Kremlin of a violent and possibly irrational Chinese reaction. Finally, there are numerous other bilateral issues between the USSR and the Asian nations they hope to attract which must be resolved before the Soviets can expect a reasonable chance of successfully isolating China.

5. Promote A Regional Arms Freeze

One additional Soviet diplomatic action worth noting which could serve to limit the flow of US weapons to the PRC would be a renewed call for talks on confidence-building measures in the Far East. These talks, called for by the 26th Congress of the Communist Party of the Soviet Union, [Ref. 105:p. 24] could result in confidence building measures similar to those negotiated for Europe during the Conference for Security and Cooperation in Europe (CSCE). They could also include provisions for an arms freeze with which the Soviets could grasp the diplomatic initiative and gain widespread support for maintaining the status quo military balance in Asia. Since American arms sales to China are only in their initial stages, general acceptance of the military status quo would effectively freeze the flow of US and other weapons to China. To date, however, this Soviet initiative has not received much support. One can

also predict little support for this idea in the near future based on the lack of progress with force reduction and disarmament talks elsewhere in the world. As a final point on this issue, it is highly unlikely that the Chinese would allow themselves to be "frozen" into a state of military inferiority to the Soviet Union. Segal points out that, "Neither side is likely to engage in detente out of a sense of weakness for 'history has taught' that peace is best achieved through strength." [Ref. 96:p. 183] Since this action also carries little chance of success, it too bears little risk to the United States.

In retrospect, it appears that Soviet political options are somewhat limited due to both internal and external constraints. Political objectives may, however, be pursued by other than purely political means. Due to the lack of political maneuverability, the Soviets may choose to exercise economic or military options to counter the development of a Sino-American arms connection.

C. ECONOMIC TOOLS

Theoretically, the economic tools available to the Soviet Union for countering US arms transfers to the PRC are trade and economic assistance. On one hand, the USSR should be able to use the prospect of increased trade or economic assistance as an incentive for the US to stop supplying or the PRC to stop receiving arms. On the negative side, the

USSR might threaten to react to the US-China arms trade with economic sanctions against one or both countries. In reality, however, the USSR does not have much capability to use economic leverage to support its political objectives. This is because the Soviet Union is neither a major trading partner nor a significant source of economic assistance to the United States, China or their Pacific allies.

1. Impose Economic Sanctions

With regard to the United States, Soviet economic leverage is nil. For the year 1984, US exports to the USSR amounted to only (US)\$ 3.3 billion. America's exports to the Soviet Union were less than two percent of its total exports worldwide. Imports from the Soviet Union were even smaller amounting to only (US)\$ 600 million.[Ref. 116]

In the case of China, the Soviets might be perceived to have some influence because of a (US)\$ 14 billion five year trade agreement recently signed by the two countries. Additionally, since neither country has particularly abundant hard currency reserves, barter trade with the Soviets might be somewhat attractive to the Chinese. Yet, the overall impact of the recent Sino-Soviet trade agreement remains to be seen. An early assessment by one diplomat was that it is unlikely that the PRC will stop developing military ties to the West until it sees some basic shifts in the strategic stance of the USSR.[Ref. 117]

Regionally, the Soviets have not fared much better, and it is doubtful that they could use economic leverage in support of an encirclement strategy. In hearings before the Senate Appropriations Committee, Admiral William J. Crowe, then Commander in Chief, Pacific Command, testified that economically, the Soviets are almost non-players in the region and they have been unable to penetrate the robust Asian markets.[Ref. 118]

2. Offer Siberian Resources As Economic Incentive

Due to its relatively low levels of trade, the USSR has not been able to exert much economic leverage in Asia. This could change sometime in the future because the Soviets do have one significant group of economic incentives to offer the nations of Asia, the natural resources of Siberia. Asian nations like South Korea and Japan which are energy poor may be especially susceptible to the incentive of relatively inexpensive Siberian energy. If the USSR can successfully exploit its Siberian resources, then it would have the capability of becoming a major economic player in Asia. Yet, to date the successful exploitation of Siberia's wealth has eluded the Soviet Union. The USSR does not currently possess the technology it needs to tap its Siberian resources. Furthermore, due to political and domestic bureaucratic obstacles, the USSR has been unsuccessful in securing the cooperation of those countries who do have the required technology. Finally, because of

the volatility of the world energy and raw materials markets, there are no guarantees that the successful exploitation of Siberia could be translated into economic leverage in Asia by the Soviet Union.

Because of the constraints on its political influence, Soviet motivation to use economic activity to counter US arms transfers to the PRC is probably quite strong. However, as a result of its limited trade with the US, the PRC and the China's Asian neighbors, its current ability to do so is rather weak. Furthermore, even though its Siberian resources may one day be exploited, the USSR's current and near-term prospects for tapping those resources are so poor that the Soviet Union's emergence as an Asian economic power lies somewhere in the distant future. For the present, then, the Soviet Union will have to rely on other forms of power if it hopes to counter US arms transfers to the PRC. A traditional aspect of Soviet power, and one that is growing in Asia, is the topic of the next section, which addresses military options.

D. MILITARY OPTIONS

In his essay, "Soviet Military Power in Asia," Paul F. Langer made two important observations. First, military power is a critical element of Soviet political strategy. Second, the emphasis on the use of military power as an instrument of Soviet policy is attributable to a number of

factors including the USSR's historical experience, its geopolitical position, the chronic weakness of the its economy, and to the decline of its ideological appeal abroad.[Ref.45:p. 257]

The Soviet tendency to use their military power, when considered in light of the fact that theirs is the only military force in the world capable of challenging that of the United States, makes a Soviet military response to US arms transfers to the PRC the most dangerous one to be considered. It should be noted that the Soviet Union would not necessarily limit its military response to China or East Asia, but could take action elsewhere in the world to show its general displeasure with the US decision to sell weapons to the Chinese. However, even though Soviet military objectives regarding this issue will probably be formulated as part of their global strategy, this next section will focus on Soviet Asian regional alternatives. This is because Soviet military reactions involving countries other than China or her immediate neighbors are beyond the scope of this study.

Even discounting areas outside of Asia, the potential Soviet military reactions to the US-China arms trade are quite numerous. These include in an order of increasing magnitude:

1. provoke a regional arms race
2. launch a limited conventional attack on China

3. launch a limited nuclear strike on China
4. launch a major conventional attack on China
5. start a full scale nuclear war with China.[Ref. 95]

1. Create Regional Arms Race

US-USSR backed regional arms races have substantial precedent, as in the cases of India and Pakistan or the Arabs and the Israelis. Since some of China's neighbors, such as India and Vietnam, consider her to be a potential threat to their security, US arms transfers, which upgrade the military capability of the PRC, can be expected to trigger Indian and Vietnamese requests for additional arms from the Soviet Union. This in turn may trigger additional Chinese requests for US arms. Additionally, there is a tendency for not only the quantity but also the quality of the weapons requested and supplied to increase.

In the case of the growing military ties between the United States and China, some Soviet officials and analysts have already said that this has contributed to the overall deterioration in US-USSR relations and to a greater Soviet military buildup in the Far East.[Ref. 102:p. 110] Vladimir Petrov notes that "In countering the danger of the emerging United States-People's Republic of China coalition, the Soviets increased their support of Hanoi..."[Ref. 119] The trend of Soviet arms escalation in Asia has also shown no signs of slowing down. Most recently, Assistant Secretary of State Wolfowitz testified that, "The USSR"

continues to strengthen its military forces in the region and has recently added MiG-23 fighter aircraft to its already formidable military presence in Vietnam." [Ref. 120] Thus, as the relationship between the United States and China has grown, it is evident that Soviet military support of its Asian allies has grown as well.

Admiral Noel Gayler, former Commander in Chief, Pacific Command, stated before a House Subcommittee that raising the general level of military technology in a region is usually not in the interest of the United States because as the military technology goes up relative US strength goes down. [Ref. 121]

There is, however, some disagreement about the true causes of the Soviet arms buildup in Asia. There are a number of intelligence analysts who contend that it has little to do with US-Chinese relations, but is the result of overall Soviet force modernization initiatives. In an arms race it is often difficult to determine who is proactive and who is reactive. One should note, however, that prior to the delivery of the first US weapons system to China, the Soviets had already taken significant actions to upgrade their regional military capability and that of their allies. It would be difficult to conclude, therefore, that the projected transfer of US arms to the PRC caused a regional arms race. Due to the difficulty of determining the correlation between proposed US and actual Soviet arms

transfers to East Asia, it might be more worthwhile to investigate other Soviet military reactions.

2. Attack The PRC

The four remaining Soviet military options all involve some form of conflict with China, with the expected cost increasing with each level of attack. However, because of the problems of uncontrolled escalation, the potential cost of any attack is high. Therefore, the four attack options will be considered together. Although a Soviet attack would be an extreme reaction to US arms transfers to the PRC, there are those who argue that it should not be discounted. Ambassador Toon warned that,

We must recognize first that the Soviets are so paranoid about China that if they felt we were developing a tight political relationship with Beijing,... with possible military overtones and targeted on Moscow, they would be perfectly capable of doing something irrational.[Ref. 103:p. 77]

While Ambassador Toon was speaking in terms of general Sino-American political and military ties, June Dreyer addressed the prospects of Soviet military action in direct response to US arms transfers. In Congressional testimony, Dreyer stated that there is a possibility that United States weapons transfers would either genuinely upset the Soviet Union or else provide it with an excuse for aggressive action.[Ref. 76:p. 5] Thus, there are experts on both the Chinese and the Soviets who believe that a Soviet military reaction is a possibility. Furthermore, it is clear to US

intelligence analysts and China watchers alike that the Soviets have the military power to execute any of the four attack options previously mentioned.[Ref. 45:pp. 255-256]

There are, however, a number of other analysts who disagree with the assessment that US arms transfers to China would necessarily provoke an attack by the Soviet Union. Some, like Roger Sullivan presented the converse argument that it would be the failure to sell arms to China which would invite Soviet aggression, because a US decision not to sell could be an indication of timidity in developing a normal US-PRC defense relationship. This timidity, in turn, might tempt the Soviet Union to take aggressive actions to exploit the suggestion of US weakness.[Ref. 122] Others argue that a military response by the USSR is unlikely because of historical Soviet tendencies toward extreme caution and risk avoidance especially when dealing with China.[Ref. 77p:p 147]

Lastly, there is a group of analysts who base their prediction of the likelihood of a Soviet military response on the type of arms being transferred to China by the US and the level of development of the Sino-American military relationship. This group generally holds that, although the Soviets would prefer no US-PRC military relationship, they could live with a modest one. It is also their belief that the Soviets would have to feel gravely threatened before they would launch an attack on China.

Even though the experts remain divided on the exact probability of a Soviet military response to US arms transfers to China, it is generally conceded that the type of weapons transfers currently being considered and the level of military ties being pursued by the United States are modest enough to preclude an attack on the PRC.[Ref. 120:p. 128, Ref. 32:p. 132, and Ref 44:p. 83] Critical aspects of the weapons currently under consideration are that they are small in number, primarily defensive in nature and do not represent state of the art technology. Thus, under current conditions the risk of a Soviet military response to the proposed US arms sales to China can be assessed as being slight. One could also predict no Soviet military reaction to future US-PRC military developments as long as their pace was reasonably slow. This risk, however, could be expected to rapidly rise if either the quantity or quality of the transferred arms were to dramatically change.

E. ASSESSED RISK TO THE US-USSR-PRC STRATEGIC TRIANGLE

Based on the preceeding analysis, one can conclude that the US decision to sell arms to the PRC does not carry with it unacceptable risks with regards to the reaction of the Soviet Union. A review of the potential Soviet reactions is shown in Table 5.

TABLE 5

ASSESSED RISK TO THE
US-USSR-PRC STRATEGIC TRIANGLE

SOVIET REACTION	TYPE ACTIVITY	COST/ THREAT TO US	PROBABILITY IT OCCURS/ SUCCEEDS
Link transfers to US-USSR relations	Political	High	Low
Sino-Soviet Rapprochement	Political	High	Low
Link transfers to East-West Relations	Political	High	Low
Isolate/ Encircle PRC	Political	Low	Low
Regional arms freeze	Political	Low	Low
Trade as incentive	Economic	Low	Low
Economic sanctions	Economic	Low	Low
Siberian resources as incentive	Economic	High	Low
Regional arms race	Military	Moderate	High*
Attack PRC	Military	High	Low**

*It is debatable whether US arms transfers to the PRC would increase the pace of Soviet Far Eastern force modernization which is already taking place.

**The probability of occurrence is low only for currently proposed level of arms transfers.

VII. CONCLUSIONS

The determination of the soundness of a current foreign policy poses a significant challenge for the student of international relations. This is because policy implications involve values, such as influence, leverage and security, which are not easily quantified. Additionally, the full ramifications of a contemporary policy will be known only through the test of time. Yet, policies must be evaluated if they are to have any chance of succeeding. Policy evaluations are also useful because in addition to supporting or refuting judgements, evaluations provide policy makers with a great deal of valuable information. The information derived from a policy evaluation may include such things as the identification of data deficiencies, potential problem areas in formulation or execution, and opportunities for the future.

Due to the difficulty of quantifying relevant values, policy evaluations are often subjective. Yet, qualitative evaluations can be as valid as quantitative tests if they are properly developed and supported. The purpose of this work was to subjectively determine if the Reagan administration's policy for transferring American arms to China is sound. For the purpose of the evaluation, a sound

which the potential benefits outweighed the assessed risks, with the risk assessment being based on the probability and level of policy costs. Other relevant indicators of the policy's soundness were the absence of gross discontinuities in the policy's historical development as well as the absence of conflicting US and PRC motives in the Washington-Beijing arms connection.

A. RESULTS OF THE EVALUATION

The Reagan arms transfer policy for China which was examined in chapters two through six was subjected to a three part evaluation. The following is a brief review of the results of each chapter evaluation.

In chapter two, the development of the Reagan arms transfer policy for China was traced from its roots in the Nixon White House through the Ford and Carter administrations to the present. The investigation of the policy's historical background clearly indicated that the Reagan policy represents the latest iteration of what has been an evolutionary process. While the evolution may be considered by some "China watchers" to have been too rapid, there were no revolutionary actions in the development of the Reagan administration's current position on the transfer of American weapons to the PRC. The absence of aberrant activity in its development is a strong indication of the fundamental soundness of the Reagan policy.

Further indications that the Reagan arms transfer policy for China is basically a healthy one were discussed in chapters three and four. In these chapters the motives of both the United States and China for becoming involved in arms transfers with each other were explored. The assessed validity and/or priority of a tested rationale was based on the comparison of the arms transfer actions either nation could reasonably be expected to take based on that rationale, with their actual arms transfer behavior. High behavioral consistence was interpreted as an indication that the tested rationale has a high probability of being a priority supplier or recipient rationale. Conversely, low consistency was read as an indicator that the tested rationale had either a low priority or a low probability of being a valid one.

The behavior comparison analysis in chapter three showed that the PRC has multiple motives for seeking US arms. These motives do not, however, carry equal weight and the strongest ones were determined to be China's desire to:

1. counter the long term Soviet expansion,
2. gain some political leverage over the USSR, and
3. gain access to American technology.

Using the same methodology in chapter four, the US was identified as also having several reasons for desiring to transfer arms to China. American motives like those of the

Chinese are not uniform in their strength. The primary US motives for selling arms to China are:

1. to enhance the collective security of itself and its friends and allies,
2. to demonstrate its friendship to the PRC, and
3. to improve its balance of payments.

The investigation into supplier rationale also revealed a number of tangential benefits which the US could derive from its arms sales to China. While these benefits may not be substantial enough to cite as primary motivators, they are nevertheless noteworthy as they provide additional support to the main American rationales for supplying arms to the PRC. Thus, in addition to the benefits mentioned above that the US strongly desires to gain from the Sino-American arms connection, the United States could also use the arms transfers to:

1. gain access to PRC military facilities which could follow arms transfers in a natural expansion of military ties,
2. gain some leverage over the USSR to moderate its Far Eastern expansionism by helping China transform its potential power into real military strength,
3. demonstrate its strategic military projection capability by staging a military air lift or sea lift exercise for the delivery of American arms ordered by the PRC,
4. prevent the PRC from tilting back toward the USSR for its security needs by pre-empting a renewed USSR-PRC arms transfer relationship,
5. gain access to more PRC leaders,

6. gain access to additional PRC markets by getting Chinese leaders more accustomed to and satisfied with US products, and
7. support America's defense industrial production base through increased arm sales.

During the investigation into recipient demand factors and supplier rationale it was discovered that there are also a number of unknowns regarding the US-PRC arms connection. For instance, there is little information available on the use of American arms by Chinese policymakers for their own internal political support. Likewise, there is insufficient information on the relationship between the PRC's conventional and strategic force modernization programs to make any conclusive judgements on the effect of US arms transfers on China's strategic weapons development. Lastly, there is not enough data available to judge how effective the US could be in using its arms transfers to China to gain leverage over China's neighbors.

In evaluating the effect of supplier rationales and recipient demand factors, a comparison of both recipient and supplier motivation revealed that there were no contradictory objectives in the Sino-American arms transfer relationship. Based on the absence of contradictory motivations one could conclude that there are no major obstacles to the development of a healthy arms transfer relationship between the United States and China. Furthermore, it can be argued that the relationship is based

on the sound foundation of a common Sino-American interest of countering Soviet expansionism. Additionally, the presence of several complementary arms transfer objectives indicates that there is a significant opportunity for both the United States and China to benefit from their arms transfer relationship.

The final policy evaluation was based on an analysis of the risks associated with US arms transfers to China. The analysis in chapter five indicates that there is little risk that arms transfers will upset Sino-American normalization. It was further pointed out that the risk of arms sales having a negative effect on US-PRC relations can be reduced by preventive actions on the part of the United States. Similarly, the discussion in chapter six showed that the risk of a costly Soviet reaction to the transfer of American arms to China is also low. Thus, in this final analysis, the Reagan administration's arms transfer policy was found to be sound since the potential benefits of that policy were determined to outweigh the risks.

E. IMPROVING THE POLICY PROCESS

Although it has been concluded that the Reagan administration's current arms transfer policy for China is sound, there still appears to be room for improvement. While conducting research for this thesis several

potentially weak areas in policy formulation and implementation were discovered.

The first area of potential weakness is that of strategic planning. Robert Sutter reported in 1981 that a common recommendation regarding US arms transfers to China was for "more clear articulation and management of US policy toward China." [Ref. 10:p. 14] What Sutter said then appears to remain true today. Because of the "case-by-case" nature of the current policy there appears to be no strategy for US arms transfers to the PRC. The lack of a comprehensive arms transfer strategy could quickly lead the United States down the "slippery slope" addressed by June Dreyer. Benefits of a clear and comprehensive strategy could include:

1. better coordination not only within the US government but also between American government and private agencies, (A comprehensive strategy would give all arms transfer participants a common base to work from.)
2. a potential reduction of interagency rivalry, (With specific guidelines there might be less of a tendency for those agencies involved in arms transfers, such as the Organization of the Joint Chiefs of Staff and the Department of Defense Staff or the Army and the Navy, to compete with each other as they have been accused of doing in the recent past.)
3. and a reduced chance of inadvertently raising China's arms transfer expectations.

A second area in which improvements could be made is in the coordination of both policy development and execution. Current coordination of US arms transfers to the PRC appears to be on an ad hoc basis. While it has been pointed out

that "US responses and proposals in military technology cooperation discussions with the Chinese have been fully coordinated,"[Ref. 43] this coordination was due more to the foresight, competence and luck of those individuals involved than any governmental design. Furthermore, there is currently no organization or mechanism to insure that all of the US agencies involved in arms transfers to China work in harmony with each other. Because of this, there appear to have been some uncoordinated and potentially embarrassing US arms transfer activity involving some rather high level government officials. This situation could be remedied by the creation of a China Arms Transfer Inter-Agency Group (CATIG) consisting of the heads of the various US Government agencies involved in arms transfers to China. Such a group, which could be modeled on the Inter-Agency Group that currently exists for monitoring dual-use equipment transfers, would be responsible for formal long range planning, policy development and management. The CATIG could be chaired by the National Security Council or one of the other arms transfer players. The CATIG would logically be supported by an Inter-Agency Working group consisting of staff personnel of the CATIG's member agencies which would meet on a regular basis. Their job would be to handle the routine management of US arms transfers to the PRC. The principal benefits of formal coordination could include:

1. a decrease in the over-compartmentation of intelligence information relevant to the arms transfer process,
2. a reduced likelihood of one US agency being played off against another by Chinese arms transfer negotiators,
3. increased continuity and consistency of policy between administrations,
4. better information tasking and management to support policy needs,
5. and a reduced likelihood that routine matters such as COCOM coordination or the pre-briefing of official visitors to China would be overlooked.

A final area in which the arms transfer policy process for China might be improved is in the analysis of risks and benefits. Currently, US arms transfers to China are, in the words of one administration official, driven by obvious benefits. While the policymakers in Washington are almost certainly aware of the costs, benefits and risks associated with US arms transfers to the PRC, they do not appear to use any kind of quantitative model with which to compare them with each other. This may be intentional since some analysts like Thomas Robinson argue that, in weighing the advantages and disadvantages of American-Chinese military ties, it is "futile and politically erroneous to try and add them up in some pseudo-mathematical fashion." [Ref. 33:p. 134]

While it is by no means being suggested that policy makers reduce their decisions to a series of mathematical equations, a case can be made that quantifying values and taking an engineering approach to policy analysis can

support the development and management of the arms transfer policy for China. Numerical values could be particularly useful in assessing the potential gains and risks associated with individual weapons transfers, because these judgements involve not only the benefits or costs of an action but also its probability of occurrence. Table 6 is an example of using numerical values to weigh the potential risk of an adverse Soviet reaction against the likely benefit to US interests of transferring US main battle tanks to China. Although the Table 6 example is a simple one it does illustrate some of the principal advantages of using a quantitative model to support policy decisions. First, the model allows for a more direct and detailed comparison of risk and gain since numbers convey values more precisely than terms such as low, moderate, and high. The model also allows for the incremental updating of values due to minor changes in probability. This could alert the policy maker to cumulative costs or benefits which might otherwise be overlooked. Additionally, drastic changes in the international political environment can be quickly factored in by changing the assigned values.

The most difficult aspect of using a quantitative approach to risk/gain assessments would most likely be in assigning numbers to the costs, benefits, and probabilities related to various actions. Yet, while it may be difficult, it is not impossible and a great deal of work has been done in related

areas. For example, in indications and warning intelligence, numerical probabilities are routinely assigned to potentially harmful actions using advanced mathematical techniques such as Bayesian analysis. Furthermore, the assignment of numerical values to such abstract concepts as deterrence and political influence has been done quite well using computer simulations.

In spite of the improvements which can be made in the policy process, one may still conclude that the Reagan administration arms transfer policy for China is basically a sound one since its potential benefits are greater than its probable costs. The recommended changes to policy formulation and execution which have been presented were offered so that the US might maximize its gains and minimize its risks in transferring arms to China.

TABLE 6
RISK VERSUS GAIN OF
TRANSFERRING MAIN BATTLE TANKS

RISK			
SOVIET ACTION	COST TO US	PROBABILITY OF OCCURRENCE	ASSESSED RISK
Cancel summit	-40	.70	-28
Transfer T-64 to N. Korea	-50	.50	-25
Attack China	-80	.10	-8
Attack US	-100	0	0

GAINS			
US ACTION	BENEFIT TO US	PROBABILITY OF SUCCESS	ASSESSED GAIN
Secure basing rights	+70	.20	+14
Secure port call rights	+20	.90	+18
Secure military student exchanges	+30	1.00**	+30

ASSESSMENT: GAIN = +62 IS GREATER THAN RISK = -61*

*All assigned values are fictional.

**A value of 1.00 would be assigned if the proposed benefit was guaranteed by the PRC as part of the transfer.

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Fresh Meadows, New York 11365
27. Major Jer Donald Get 2
101 Shubrick Road
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